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American Economy Enjoys a Modest Gain in Growth

By Lawrence Malkin

International Herald Tribune

NEW YORK — The U.S. economy grew slightly faster during the first quarter than originally reported, but most economists said the difference was really one of timing rather than strength and was unlikely to affect their slow-growth outlook for the year.

Growth in the gross domestic product for the January-March period was revised upward to an annual rate of 2.4 percent, from 2.2 percent. The principal reason was that the government's preliminary estimate of how fast businesses were selling off inventories was too high, by about \$7.7 billion. They were stockpiled with more goods than originally estimated because final sales increased by 4.6 percent, also slightly less than first reported.

The stock market, meanwhile, boosted by a strong bond market, stayed above the record level of 3,400 on the Dow Jones industrial average all day, only to dip back below it just before the close.

But the upward revision in gross national product had little lasting effect on the financial markets. It did lead some business economists to revise their growth projections

for the second quarter downward by about half a percentage point. The consensus forecast for growth in full-year 1992 is now slightly above 2 percent.

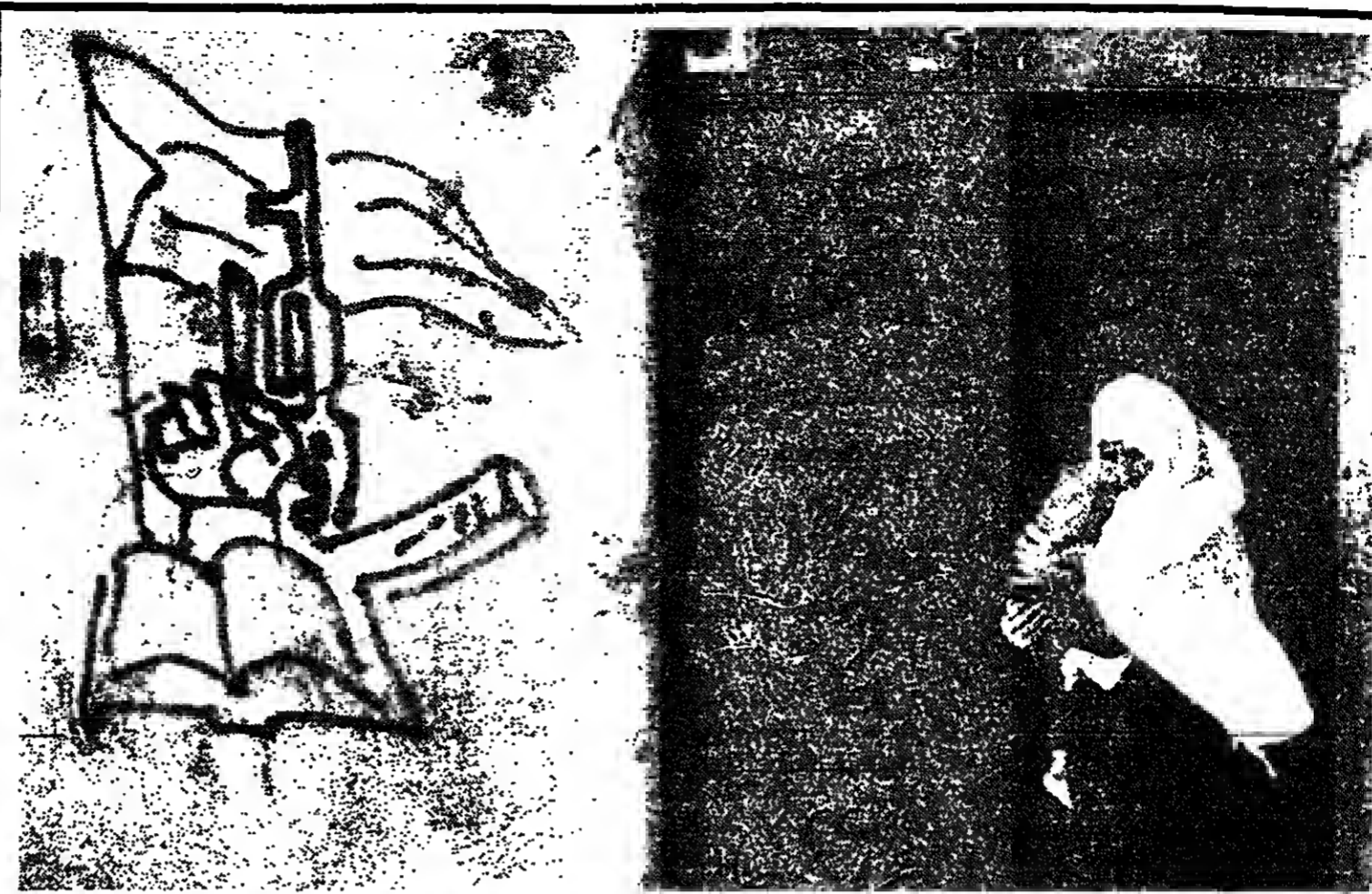
"We had already projected growth in inventory investment later in the year, and some of that growth has already taken place," said Cynthia Latta of DRI/McGraw Hill.

Another drag on the economy was a widening trade deficit. Exports fell by 0.3 percent instead of growing, as originally reported, and imports started turning up to fill some of the increased domestic demand. Business investment rose by 1.7 percent, the first increase in more than a year, but housing growth was revised downward to 8.4 percent.

Nevertheless, the statistics were good news to the administration, which could luxuriate in its best quarter of growth in three years. Michael J. Boskin, chairman of the president's Council of Economic Advisers, said the data added evidence of "the return to a pattern of more solid economic growth since the start of the year."

But he added the habitual administration complaint about slow growth in money and credit, thus

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UNDER SIEGE IN GAZA — A Palestinian woman at a refugee camp in Gaza has been sealed off five days. In Jerusalem, President Chaim Herzog assailed Israelis who had shouted "Death to Arabs" after the murder of a schoolgirl. "Who might be the next target for death shouts," he asked.

Serbs Ignore Sanction Risk And Step Up Artillery War

The Old Adriatic Port Of Dubrovnik Is Again Under Bombardment

By Chuck Sudetic

New York Times Service

BELGRADE — Ignoring the threat of United Nations sanctions, Serbian forces in Bosnia-Herzegovina unleashed their severest bombardment yet of Sarajevo on Thursday night and into Friday, blasting the city with artillery, rockets and antiaircraft weapons.

At least six people were killed, and scores were wounded.

Serbs also shelled the Croatian port city of Dubrovnik for the first time since December, damaging a historic stone tower guarding the old city's harbor and hitting a nearby hotel.

[The United Nations Security Council discussed a range of punitive measures on Friday, but the Chinese representative said he would ask the Security Council to delay a vote on an economic embargo, news agencies reported. Diplomats said the vote was likely no later than Saturday.]

[The sanctions include an embargo on all trade with the remnants of Yugoslavia except for food and medicine, severing of air links, the freezing of the Belgrade government's foreign bank accounts and other financial assets, an end to cultural, scientific and sports contacts and cuts in the size of diplomatic missions abroad.]

The self-styled president of the Serbian Republic of Bosnia-Herzegovina, Radovan Karadzic, said economic sanctions being drawn up by the United Nations, the United States and the European Community against the new Serbian-dominated Yugoslavia would not stop the violence in Bosnia-Herzegovina. The republic was admitted to the United Nations earlier this month as an independent nation.

"No threat of sanctions will make the Serbs accept domination," Mr. Karadzic said, denying that Serbia was involved in the Serbs' dismemberment of Bosnia-Herzegovina, an assertion often repeated in Belgrade.

"Economic sanctions against Serbia are dishonorable, unjustified and counterproductive," he said.

Western diplomats link Serbia's Communist See BOSNIA, Page 5

Latest U.S. Census Numbers: 'Trends Are All in Wrong Direction'

By Barbara Vobejda

Washington Post Service

WASHINGTON — America, circa 1990: Has the largest foreign-born population in its history, although vast portions of the country are untouched by the growing racial and ethnic variety.

Has seen its middle class shrink over the past decade, even as household income was growing. Housing costs are taking a bigger bite of the family budget than 10 years ago. Has more of its people living in poverty, nearly a fifth of all children are poor. And the disparity by state continues: The median household income in Mississippi is less than half that in Connecticut.

Taken together, the most detailed and comprehensive statistics from the 1990 Census, which were made public Friday, show that the nation is marked by striking stratification.

There is an increasing diversity across the country, in racial and ethnic makeup, social class, age and family structure, said Martha Farnsworth Riche, a demographer at the Population Reference Bureau. The new question, she said, is "Where can you find the commonality?"

This fragmentation comes through again and again in the choices Americans make, the resources on which they must survive and the way their families are formed and broken.

Poverty rates in the South, for example, are 48 percent higher than in the Northeast. Nearly 13 percent of households in Alaska lack complete plumbing facilities, while in Connecticut fewer than 0.5 percent lack them.

The influx of immigrants has also left an uneven imprint and created drastically different cultural environments: In Miami, nearly three-quarters of city residents speak a language other than English at home, while less than 4 percent of Midwesterners are foreign-born.

The figures are the result of a huge survey of households — 177 million — taken in the spring of 1990 as part of the once-a-decade

census. That sampling of one in six housing units yields an extraordinary range of information about the nation, from the number of persons unable to work because of a disability (6.6 million, aged 16 to 64) to the tendency for Americans to drive to work alone (73.2 percent of workers aged 16 and older).

Perhaps more than any other factor, the flood of immigrants has redefined the nation, especially in urban areas like Los Angeles, Miami, Chicago and the District of Columbia.

"We certainly are moving to a multicultural society now," said Jeffrey Passel, a demographer at the Urban Institute. He added, "We've already moved to it."

"Immigration trends have turned around in the last 25 years and the census data simply confirm it," he said, referring to not only the increased number but also the shift away from European immigrants to Asian and Hispanic immigrants.

Nationally, 19.7 million persons, or just under 8 percent of the population, were foreign-born. Never before have so many immigrants lived in the United States, although the foreign-birth share of the population was larger during the earlier wave of immigration around the turn of the century, when total

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What Look for the Ecu? The Shine Is Off Before It's Even On

By Tom Redburn

International Herald Tribune

PARIS — It sounds like such a safe, simple idea: Let the people of Europe have a say in what their future single currency should look like.

That is what Sylvia Bourdon, a public-relations specialist, thought when she started organizing a design competition for the new Euro, the European Community plans to adopt as legal tender by the end of the decade. But in doing so, she inadvertently stumbled into Europe's latest war zone, the post-

Maastricht struggle to shape the continent's monetary destiny.

No one is dying, but that does not mean battle lines are not being drawn: Country against country. Central bankers vying with politicians. Workers versus their bosses and governments.

"I'm trying to get everybody together in working for the Ecu," said Ms. Bourdon, perhaps a bit disingenuously. "But it's not easy. I'm afraid some people in the financial establishment see me as a threat. Fortunately, I have many important politicians on my side."

The Ecu itself may be just a sym-

bol of the wider issues at stake, but as political leaders have discovered across Europe this year, tampering with the symbolism behind a nation's currency strikes a deep chord of public anxiety.

That sensitivity is already being reflected in the understanding among officials that national symbols, like the Queen of England and the German eagle, should be retained on one side of any currency to be issued by the local branches of the future European central bank. Nonetheless, the controversy over a single currency has become so intense, particularly in Germa-

ny, that it raises fresh doubts whether the vow to go ahead by 1999 at the latest with a European Monetary Union will actually be carried out on schedule.

Chancellor Helmut Kohl of Germany, one of the prime movers behind the EC agreement reached at the Dutch city of Maastricht, gapped on the word "Ecu," short for the European Currency Unit, used today in some financial transactions and also the same name given to an old French coin.

He complained that it sounded like "kuh," the word for "cow" in German. Faced with a sudden pub-

lic backlash against giving up their strong Deutsche mark, German politicians started calling instead for a "Euro-mark," or, in the latest incarnation proposed this week by Finance Minister Theo Waigel, a "Franken."

Stephen Collignon, executive director of the Association for the Monetary Union of Europe, acknowledged that Germans tended to dismiss the Ecu as "Esperanto money."

German leaders now say their people are reluctant to let their

See ECU, Page 5

U.K. Rejects Bailout for O&Y Site

By Erik Ipsen

International Herald Tribune

LONDON — Prime Minister John Major stepped into the battle to salvage the Canary Wharf project on Friday with laudatory words but no cash.

"You can't call it a farce or a fiasco," said Mr. Major, who barely referred to the isolated, sprawling, nearly half-empty development as "truly remarkable."

He continued to deny that there would be any government bailout of the project. Nevertheless, he appeared to leave himself some room for maneuver on that score by saying he did not foresee such a thing "at the moment."

Property analysts insisted, however, that without some boost from the government Canary Wharf, which went into administration on Thursday, will have to take the next fateful step and end up in liquidation.

That government assistance, either in the form of the government leasing a major block of space or softening its demand that Canary Wharf's owners contribute £400 million (\$722 million) to connect the project to the London Underground subway system, was nowhere in evidence Friday. But with the future of the huge development hanging in the balance, many analysts found it hard to imagine that Mr. Major would stand on the sidelines forever.

"This thing is just too important commercially and politically to just let this die," said Geoff Marsh, managing director of Applied Property Research.

For the time being, the matter is in the hands of Lord Wakeham, a close confidant of the prime minister who heads a ministerial-level committee monitoring the situation

Perot's Airport: An Insider's Guide

By Dean Baquet

New York Times Service

FORT WORTH, Texas — In the last five years, federal, state and city governments have invested nearly \$200 million in cash and tax breaks for an airport in the heart of an extraordinary private real estate development spanning more than 17,000 acres of land owned by Ross Perot's family interests here.

Where the Chisholm Trail once led cattle drives north, and longhorns still graze, lies Alliance Airport, paid for by taxpayers thanks to the kind of behind-the-scenes tactics and political favors that Mr. Perot now decries — hiring former government officials as consultants and deploying lobbyists to win the backing of politicians whose campaigns he enriched.

The campaign to get government money for an airport that enhanced the value of his land began in 1987, when Mr. Perot and his son, Ross Perot Jr., asked the Federal Aviation Administration to finance their \$25 million proposal quickly for a runway and control tower to be owned by the city. The FAA, which had envisioned an airstrip at about a

fifth the cost, backed off and said Mr. Perot should "compete fairly against other important projects in Texas and the nation," government records show.

Instead, the Perots turned to Representative Jim Wright, the powerful Democrat from Fort Worth who was then speaker of the House. After touring the site in a Perot helicopter, Mr. Wright returned to Washington

and in three weeks pushed through a bill that dedicated the money for Alliance, calling it "essential to the economic development" of the area.

Last year, Mr. Perot's lawyer, Thomas W. Luce 3d, the former Texas Republican gubernatorial candidate, led the lobbying of the Texas Legislature that set the stage for a package of tax breaks that could be worth millions of dollars to the project.

An examination of the Alliance project, including a review of internal FAA records, reveals deep reservations that FAA analysts

had about this project, one of the most expensive new airports of the 1980s, and provides new details of how the Perot family got around this reluctance through close ties to federal and city officials.

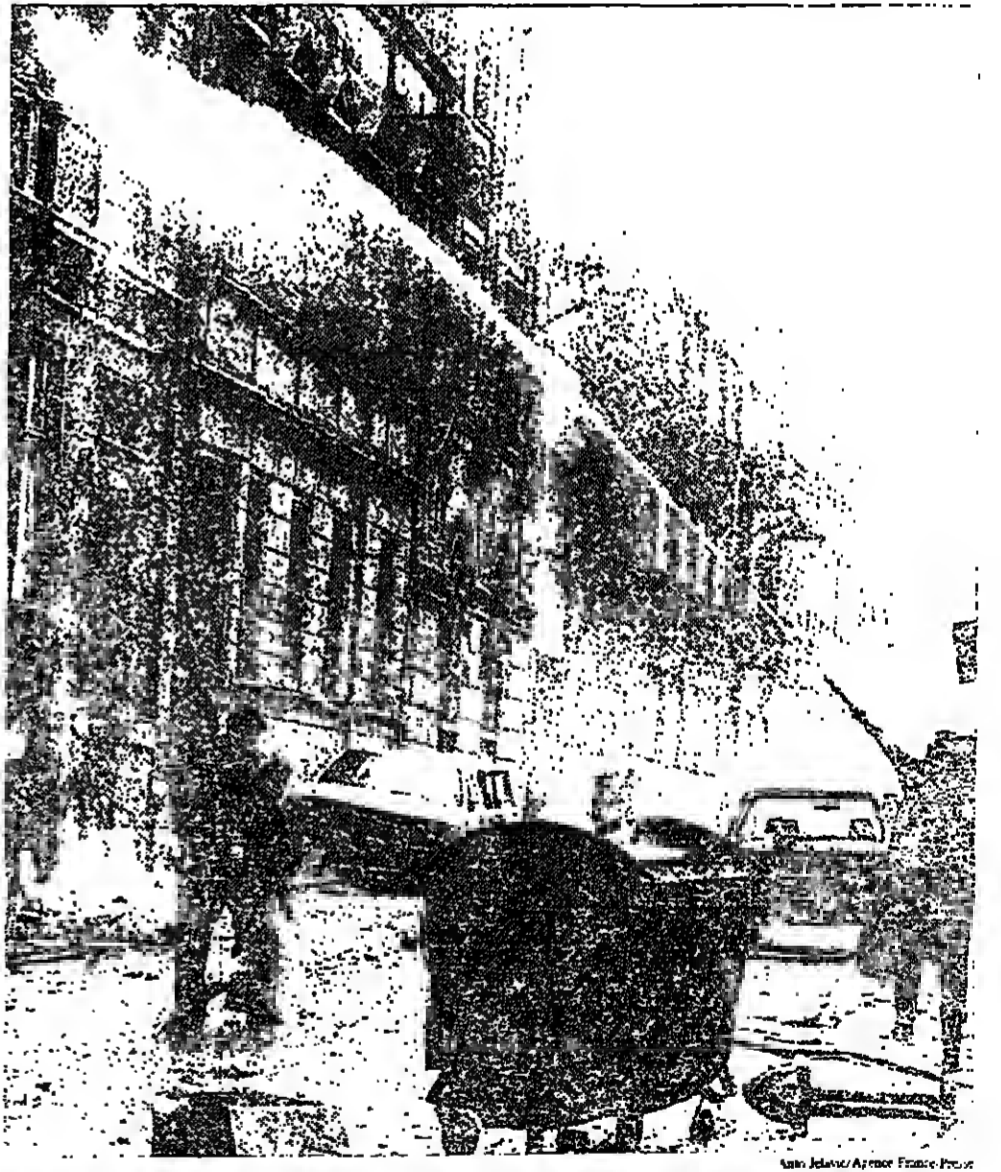
In a broader sense, the airport project shows how Mr. Perot gets things done, often by well-timed applications of money and pressure, time-honored ways of Washington. In all the controversy, no one has accused the Perots of doing anything illegal.

Yet harsh criticism of the influence of lobbyists — caricatured by Mr. Perot as "these guys with their alligator shoes" — has become a refrain of public appearances in which he has sought to portray himself as the ultimate outsider.

"When Ross Perot influences an issue, it is not lobbying," said the acting FAA administrator, Barry Harris, a Bush appointee whose agency has already spent \$51 million on Alliance. "When somebody else does it, it is. Perot has influenced legislators and lobbied as much as anybody else."

On the Alliance project alone the Perots

See PEROT, Page 3



Amid rubble and glass, a man fights a Sarajevo fire with a small hose after a night of bombardment.

Kiosk Little Progress at Arms-Sales Talks

WASHINGTON (Reuters) — The world's top five arms-exporting nations are unlikely to make significant progress in talks here on curbing arms sales to the Middle East because of opposition from China, officials said Friday.

The United States, Russia, Britain, France and China were due to wrap up two days of talks here Friday, and a State Department spokesman, Richard A. Boucher, said a communiqué from the meeting was not expected.

The initiative to curb arms sales to the Middle East was begun by President George Bush a year ago after the Gulf War.

General News

Gorbachev says the Yeltsin administration is leading the nation to disaster. Page 2.

Beijing press in Hong Kong assailed British minister for urging more democracy. Page 5.

Opinion

Philip Habib was the ultimate pro, the most outstanding Foreign Service officer of his generation, says Leslie Gelb. Page 4.

Business/Finance

Japan's economy is recovering but will not see a return to rapid growth for a long time. Page 9.

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Market data table including Dow Jones, The Dollar, and other financial indicators.

New Age of Rail? Old Pullman Plant Stirs to Life

By Don Phillips

Washington Post Service

CHICAGO — On this city's South Side, there is a shabby shadow of the glory days of the American industry — the remains of the Pullman Palace Car Co. and its failed experiment in worker paternalism, Pullman Village.

It was here that George M. Pullman made his name a household word for luxury travel and the United States a leader in building railroad passenger cars. Many thousands rolled from the plant to join trains with magic names — Rio Grande Zephyr, Sunset Limited and Twentieth Century Limited.

The factories were stilled after more than a century as the decline in U.S. rail travel largely snuffed out the cliche-clack of intercity trains. Japan, Canada and other countries moved with high-technology to capture the remaining train and subway business.

Reset by high costs and management problems, the remaining U.S. builders could

not compete with the low-cost, good-quality foreign products.

But now, thanks to a typically hard-knuckle Chicago power play, it appears that the assembly areas of one of the old Pullman factory buildings will again ring with the grinding and crackling sounds of U.S. passenger cars being manufactured by U.S. workers with mostly U.S. parts.

The U.S. passenger-car business apparently is being reborn in the very birthplace of the sleeping car.

Morrison Knudsen Corp., an old-line Idaho company being recast in the image of its upstart chairman, William J. Agee, has won a \$379 million contract to build 173 double-deck commuter cars for Metra, the Chicago commuter rail authority, and to rebuild 140 others.

Under terms of his contract, Mr. Agee is preparing to reopen one section of an old Pullman freight-car plant on Chicago's South Side, with hiring to begin late this year and final deliveries projected for late 1995.

That date is important because under the Americans with Disabilities Act, the system must provide handicapped-accessible coaches on every train. All the new cars will be fully accessible.

Much of the public attention on rail passenger cars lately has been focused in Los Angeles, where a public outcry late last year forced Los Angeles County officials to cancel a \$122 million contract with a Japanese company, Sumitomo, for 41 new, automatically driven coaches for the new Green Line light-rail system.

Chicago gained none of the nationwide publicity of the California controversy. But back in 1989, a politically active young Chicago lawyer decided that the large Metra commuter-car order — the largest single heavy-weight passenger-coach order in U.S. history — gave his town the leverage to regain the lost industry.

In the Chicago tradition of doing things, the Metra chairman, Jeffrey R. Ladd, set out

to use Chicago's economic muscle in the way the city has used its political clout. He persuaded the Metra board to insist that the coaches be built in Chicago with Chicago labor and fix a minimum of Illinois-made components.

It may seem odd to see companies battling in a U.S. business that many had given up for dead. In the 1960s, passenger trains seemed headed for oblivion, and big-city subway systems were deteriorating. Even in the 1970s and early 1980s, a major boom in passenger and commuter rail was not obvious.

Pullman Standard went out of the passenger-coach business in 1979.

Now, a boom in commuter rail systems, plus planned Amtrak orders and a new interest in high-speed rail have made the United States a prime market for new passenger coaches at the time that the country's political climate has turned anti-Japanese and "Buy American."

See O&Y, Page 11

Home and Miffed, Gorbachev Assails Yeltsin's Policies

By Celestine Bohlen
New York Times Service

MOSCOW — Stung by Russian indifference to his American tour and by President Boris N. Yeltsin's disdain for his advice, Mikhail S. Gorbachev has issued a broad attack against the Russian government, which he said was in danger of losing control.

In an interview with the newspaper Komsomolskaya Pravda, the former Soviet president went further than he has since his resignation in December in criticizing the political style of his old rival, Mr. Yeltsin.

He accused the government of excessive secrecy, of snubbing its allies, of being too reactive and of using its influence over the press to blank out reports of Mr. Gorbachev's recent visit to the United States.

"The new power is capable of destroying, but it has not yet proved that it is able to create," Mr. Gorbachev said in the interview, which was published Friday.

He denied that he had ever pledged to Mr. Yeltsin, during the long talks that preceded the transfer of power in December, that he would stay out of politics.

"They are making it understood that the best position for the president is to remain silent," he said. "I said: 'I will not leave politics for the time. I will not leave the social arena.'"

Two weeks ago, the old Yeltsin-Gorbachev feud that once dominated Soviet politics flared up again when Mr. Yeltsin, after a meeting of leaders of the Commonwealth of Independent States, mocked Mr. Gorbachev's performance in the United States and challenged him to keep his promise to stay out of politics.

Mr. Gorbachev, in his interview, said he had merely reassured the president of Russia that he would not use the Gorbachev Foundation, his new think tank as a political base, and that he would support the Russian leadership's efforts to achieve a democratic transformation.

"Listen," he told the newspaper, "Yeltsin is not Jesus Christ. He is not the man to whom I must answer."

Earlier in the interview, Mr. Gorbachev had noted that "conformism and apologetics are the worst possible service you can do this government with its authoritarian tendencies," which he said had developed during its "underground" political struggle against the central Soviet government.

Mr. Gorbachev said the government saw advice, even from its allies, as interference.

"This, for me, is unacceptable," he said.

The interview, one in a regular series with the popular daily, began with the former Soviet president pressing the reporter on why the Russian press had ignored his trip around the United States.

He contrasted this with the American press.

"For two weeks," he said, "all the American press and the television stations covered the visit, I

even had to give an interview in an elevator. At the end, members of Congress rose to greet Gorbachev, and to bid farewell."

Mr. Gorbachev said he took the silent treatment by the Russian press as a sign of its obedience to the Russian government.

"I can add that that the Russian government directly made no small effort to undermine my visit both with the Congress and with the president of the U.S.," he said.

"Let's say that both the right-wing and the democratic press have been simply unloading on Gorbachev, trying to discredit me, to cause hate and venom against me in society."

Mr. Gorbachev's miffed tone indicated that the former president, still hailed in the West, is not entirely reconciled to his new role within Russia, where his departure from the scene has gone unlamented.



GRAND DUKE IS BURIED — The body of Vladimir Kirillovich Romanov, the pretender to the czarist throne, being taken Thursday to a royal crypt in St. Petersburg. Mr. Romanov, who was born in Finland and visited Russia only once, died in Miami.

Warnings Are Dire but Danes Seem to Cool on EC

By Charles Goldsmith
International Herald Tribune

COPENHAGEN — Given the lopsided nature of the pro and con lineup, it would seem inevitable that Denmark's voters would approve, overwhelmingly perhaps, a new European Community treaty in the referendum set for Tuesday.

The "Vote No" camp is a motley, ragtag group, whose most visible champions are artists and musicians. This was demonstrated by a "Last Days of Freedom" rally on Thursday outside parliament.

The well-organized and free-spirited "Vote Yes" campaign has the strong support of most of the business establishment and major news organizations, as well as the mainstream politicians. All warn of job losses and other dire consequences if Denmark rejects the EC's treaty signed at Maastricht last year.

Yet the referendum looks as if the results will be close, according to opinion polls. Many Danes say that the mainstream politicians — in Copenhagen as well as other EC capitals — may actually be the best friends the Vote No camp ever had.

"People don't trust the Danish politicians because they really haven't given us a

good reason to vote yes," said a Copenhagen graphic designer, Carsten Madsen, who is still undecided. "The campaign in favor of the referendum has all been based on threats instead of valid answers on why we need this EC union."

A senior Danish government official acknowledged that the voters are "not exactly following their political leaders on this issue."

Disputes between political parties also have hurt the yes campaign. The foreign minister, Uffe Ellemann-Jensen, of the Liberal Party, criticized the Social Democrats, the largest party, for not mustering support for the treaty. "It's getting lonely up here on the barricades," he said.

Poor timing by politicians in Brussels, Paris and Bonn is also blamed for sapping Danish support for the treaty, which was negotiated by EC leaders last December in the Dutch town of Maastricht. The treaty includes moves toward a common currency and closer military ties.

A plan by the EC Commission president, Jacques Delors, to strengthen the Community's executive agency at the expense of small countries stirred outrage in Denmark, a nation of 5 million.

A 35,000-troop Eurocorps announced

last week by France and Germany is seen by many Danes as the embryo of an EC army.

"We already have NATO," said Filipa Wolff, a Copenhagen retailer. "The EC is supposed to be an economic grouping. Why do we need it to get involved in defense also? If I have a son, I don't want the EC deciding to send him to a war to be shot at."

The prime minister, Poul Schluter, has warned that Denmark would be gravely wounded if it did not endorse the Maastricht treaty. "The economic and political damage caused by a no vote," he said, "would create a situation fraught with difficulty."

The concern, he says, is that the 11 other Community countries will forge ahead with a new agreement to replace the Maastricht treaty, and "Denmark will be out on a limb."

Maastricht's main line remains a mystery to many Danish voters, who often refer to the treaty as "this union thing" or "this plan down in Brussels."

Mocking Maastricht's plans to replace pounds, Deutsche marks and francs with the new European currency unit, a comedian, Peter Larsen, told the Vote No rally:

"Since the Euro is worth 8 Danish kroner you can get eight times as much for your money under this union treaty."

Actually, the krona is holding its own quite well right now. Denmark's 2.4 percent inflation rate is the lowest in the EC. But unemployment, at 10.9 percent, is above the average in EC countries.

Despite doubts about the Maastricht treaty, many Danes say it is too late for them to turn away from the EC, which Denmark joined in 1973 after a referendum.

"We can't say no now," said Pia Larsen, a vendor who enjoyed the music but not the message at the "Last Days of Freedom" rally.

The latest Gallup poll, made public Friday, shows a 43-37 percent margin in favor of the treaty.

Mr. Madsen said he expected the treaty to win narrow approval but that such a result would leave a "bad taste" because the campaign had hardly calmed voters' nagging apprehensions.

"I really want to vote yes," he said. "But I still need a better reason than just that the other European countries are going ahead without us. What exactly are they going ahead to?"

Travelers Stampeding for Cheap U.S. Air Fares

By Martha M. Hamilton
Washington Post Service

WASHINGTON — A stampede for cheap summer air fares is on, but vacation-bound travelers in the United States are going to find that the planes are crowded.

Airlines and travel agents reported a "dramatic" increase Thursday and Friday in the number of passengers booking domestic flights to take advantage of new 50 percent discounts offered by most airlines on their cheapest fares within the United States.

American Airlines touched off the scramble for cheap summer travel Wednesday when it introduced the half-price fare sale.

The ticket prices are some of the cheapest offered by the airline industry in several years — making it possible to fly round trip from Washington to San Francisco for \$180, down from \$360; or to Dallas for \$145 round trip, down from \$290.

The discounts are available for tickets purchased by next Friday for travel completed before Sept. 13.

To keep up with the response to the discounts, airlines were calling reservation agents in on overtime, canceling days off and keeping reservation centers open extra hours, spokesmen for several carriers said. Carriers said that call volume was up by 45 to 50 percent, with United logging in about 10,000 calls an hour.

Some of the volume was generated by customers who had already booked vacation flights and were trading in tickets to take advantage of the lower prices.

But the new lower fares also attracted consumers who had previously opted not to fly, airline officials and travel agents said.

"A much larger percentage of calls are new reservations," said an American spokesman. Another airline spokesman said, "It can't

be all rebookings, because we didn't have that many bookings."

The newest battle in the fare wars broke out earlier this week when Northwest Airlines began promoting a "grown-ups fly free" program that allowed an adult to fly free with a child who paid the normal deepest discount fare.

American went Northwest one better Wednesday, cutting all its deepest discount fares in half. Other major airlines quickly followed.

The apparently favorable response from the flying public to the new lower fares is unlikely to do much for the bottom line in the airline industry, which has lost \$6.5 billion in the last 18 months.

"These fares are so low we almost can't sell enough seats to make a profit," said Neil Monroe of Delta Airlines.

Showdown On Troops Set in Japan

Compiled by Our Staff From Dispatches

TOKYO — The governing Liberal Democratic Party agreed Friday with two small centrist parties on a bill allowing Japan to dispatch troops on United Nations peacekeeping missions, setting the stage for a showdown that is most likely to end with the dissolution of parliament or the abdication of the prime minister.

The legislation has been passed by the lower house, where the Liberal Democrats have a majority, and now faces the opposition-dominated upper house, where they rely on the Buddhist-affiliated Komei Party and the Democratic Socialist Party.

In return for their support, the two opposition parties worked out three compromises. The revised bill allows the dispatch of troops only with parliamentary approval, requires a re-examination of the bill in three years and puts a temporary moratorium on sending the troops.

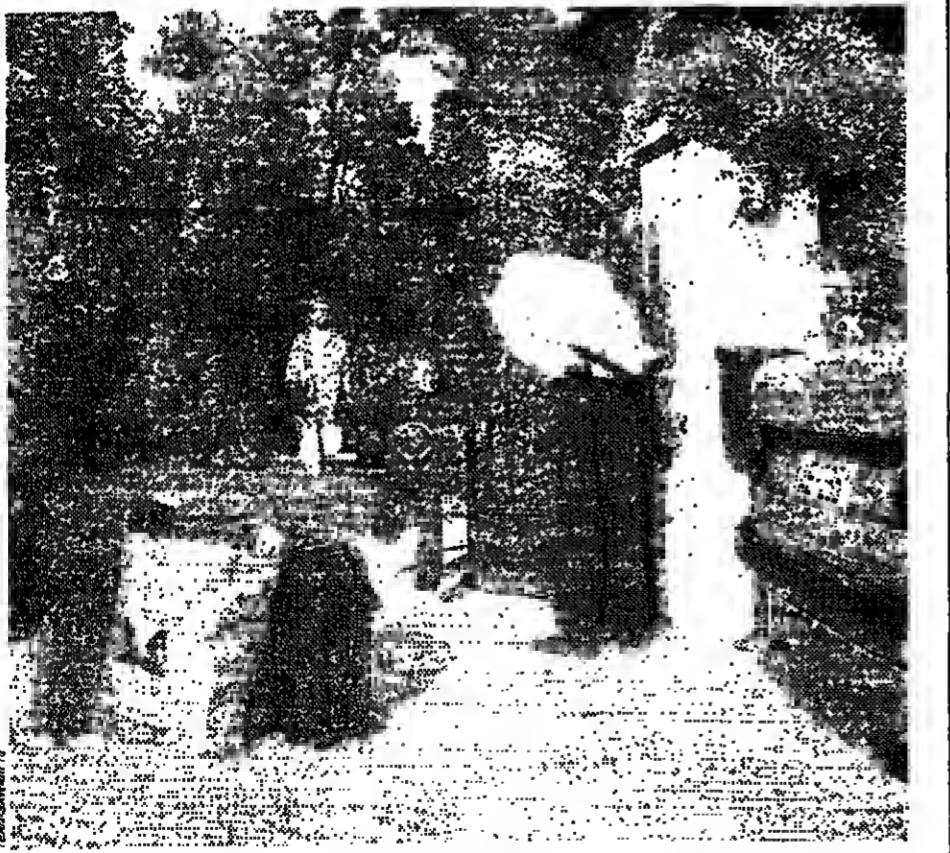
The Liberal Democratic Party now has enough support to get the bill through the upper house, but the legislation still faces the stiff resistance of the Social Democratic Party, the largest opposition grouping, which opposes it on constitutional grounds.

The Social Democrats hold one trump card — their members have threatened to do the "cow walk," a form of filibuster in which lawmakers move to cast their votes at a snail's pace, to prevent the bill from coming to a final vote. Liberal Democrats have vowed they will call an early general election "if there is trouble during the vote."

An election for half the seats in the 252-seat upper house is set for July. With its huge monetary resources, the Liberal Democrats are widely expected to do well in a double election. It won overwhelming victories in past double elections in 1980 and 1986.

(UPI, AP)

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Israel Sends Bulldozers To Village in Lebanon

Reuters

ARNOON, Lebanon — Israeli troops and tanks pushed out of their self-declared security zone in southern Lebanon on Friday, entered the village of Arnoun and bulldozed houses in a campaign to subdue pro-Iranian guerrillas, witnesses said.

The Israelis later withdrew from Arnoun, which is just north of the zone and has been used by guerrillas from Palestinian groups and the pro-Iranian movement Hezbollah as a base to attack the Israelis and their allies.

Israel and its militia ally, the South Lebanon Army, pounded the villages of Kafra, Yater, Haris and Zibqin. Security sources said three civilians were wounded.

The incursion on Friday was the first since February, when Israeli forces entered Kafra and Yater in an attempt to destroy rocket launchers shelling the zone and northern Israel.

Villagers said one of six houses demolished by the Israelis in Arnoun had been used as a hideout by Palestinian and Lebanese guerrillas who ambushed an Israeli patrol near Beaufort Castle on Wednesday, killing one Israeli soldier and wounding another.

An undeclared war between Israel and Hezbollah, or Party of God, has been raging in Lebanon since May 19, when Shiite Muslim militants attacked a South Lebanon Army post on the edge of the border strip.

A total of 31 people, including an Israeli soldier, seven guerrillas and two Palestinian fighters, have been killed.

Israel set up the security zone in 1985 to try to curb cross-border raids. It extends about 15 kilometers (9 miles) into Lebanon.

Israel also continued its battle to subdue Palestinian opposition in the occupied territories, extending beyond Sunday an order barring Palestinians in the Gaza Strip from entering Israel.

Israel Sends Bulldozers To Village in Lebanon

Reuters

Security sources said Israeli would also bar West Bank Palestinians from Jerusalem on Sunday during celebrations marking the 25th anniversary of the capture of Arab East Jerusalem, site of the biblical Jewish Temple. The anniversary is June 7 but is marked in Israel by the Hebrew calendar.

"Defense Minister Moshe Arens has decided that the closure of the Gaza Strip will not be lifted on Sunday," a Defense Ministry spokesman said. The ministry declined further comment on when the order might be lifted.

Israel ordered a 72-hour closure last Sunday after the killing of a schoolgirl and extended it by three more days on Wednesday. The ban has kept thousands of Gaza's 750,000 Arabs from their jobs in Israel.

Israel and its militia ally, the South Lebanon Army, pounded the villages of Kafra, Yater, Haris and Zibqin. Security sources said three civilians were wounded.

The incursion on Friday was the first since February, when Israeli forces entered Kafra and Yater in an attempt to destroy rocket launchers shelling the zone and northern Israel.

Villagers said one of six houses demolished by the Israelis in Arnoun had been used as a hideout by Palestinian and Lebanese guerrillas who ambushed an Israeli patrol near Beaufort Castle on Wednesday, killing one Israeli soldier and wounding another.

An undeclared war between Israel and Hezbollah, or Party of God, has been raging in Lebanon since May 19, when Shiite Muslim militants attacked a South Lebanon Army post on the edge of the border strip.

A total of 31 people, including an Israeli soldier, seven guerrillas and two Palestinian fighters, have been killed.

Israel set up the security zone in 1985 to try to curb cross-border raids. It extends about 15 kilometers (9 miles) into Lebanon.

Israel also continued its battle to subdue Palestinian opposition in the occupied territories, extending beyond Sunday an order barring Palestinians in the Gaza Strip from entering Israel.

Italian President Urges Cleaning of Political Imagery

New York Times Service

ROME — Italy's new president Oscar Luigi Scalfaro, assuming office amid a political crisis and revelations of official corruption, has urged squabbling politicians to cleanse the imagery of the country's public life.

"Nothing does greater harm to democracy than the turbid brew of politics and business," the Christian Democratic leader told parliament. "To get involved in politics, it is not enough to have a clean criminal record. One's dealings must be transparent."

Mr. Scalfaro, 73, chosen by the electoral college Monday after 15 inconclusive attempts, succeeds Francesco Cossiga, who resigned last month after elections April 5-6.

Although his job is largely ceremonial, Mr. Scalfaro must name a politician to form a new government. But that process cannot begin until parliament elects someone to succeed Mr. Cossiga as speaker of the lower house.

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WORLD BRIEFS

Rebels Fire at Afghan Leader's Plane

KABUL, Afghanistan (AP) — Muslim rebels fired rockets Friday on a plane carrying President Sighanullah Mojaddidi back from a visit to Pakistan, officials said.

Mr. Mojaddidi was unharmed, but the plane's co-pilot was injured by shrapnel. "The incident was serious but the plane landed safely and the president was not hurt," said Zahitullah Mojaddidi, the president's son.

Airport officials said three rockets were fired at Mr. Mojaddidi's Boeing 727 plane was landing at Kabul airport at about 5 P.M. Two missed but one exploded on the runway in front of the aircraft, sending shrapnel through the cockpit window and hitting the co-pilot.

North Korea a No-Show at Talks

PANMUNJOM, Korea (AP) — North Korean representatives failed for the first time since 1953 to appear for a border meeting Friday of the Korean War armistice commission, called to discuss an armed clash a week ago.

The meeting had been requested by the U.S.-led United Nations Command after the infiltration of the Demilitarized Zone by a North Korean patrol armed with M-16 rifles, grenades and explosives. Three North Koreans were killed and two South Korean soldiers were wounded in the May 22 incident, the most serious encounter along the heavily armed border in recent years. North Korea has denied any involvement, calling it "a drama staged by the South Korean rulers."

The armistice commission polices the truce that ended the 1950-53 Korean War. North Korea and China are on the northern delegation and the United States and 15 other nations that fought under the UN Command on the south side. The last formal commission meeting was held in February 1991, but secretaries and joint duty officers meet several times a month.

Bonn Rebuffs Chile on Honecker

BONN (Reuters) — The German government said Friday that it had rejected Chile's demands that Erich Honecker, the former East German Communist leader, face a tribunal in Russia before being extradited to Germany.

Such a suggestion to end the diplomatic impasse was not practicable and Bonn had previously rejected similar proposals, said a government spokesman, Dieter Vogt.

On Wednesday, the president of Chile, Patricio Aylwin, insisted on a legal solution to the issue of Mr. Honecker, who has been in Chile's embassy in Moscow since December. Mr. Honecker, the Communist leader in East Germany before being toppled in 1989, was spirited to Moscow. He fled to Chile's Embassy in December after Russia said it would turn him over to Germany to face trial in the shooting of people fleeing to the West.

Thousands Flee Sudan for Kenya

NAIROBI, Kenya (AP) — Thousands of Sudanese, including 12,500 orphaned boys, fled into Kenya on Friday, one day after Kapoeta, a major rebel base, fell to government troops, officials said.

Suffering from lack of food and shelter, the orphans have been on a four-year odyssey from Sudan to Ethiopia, back to Sudan and now to Kenya. Panos Moutzias, a UN refugee spokesman, said 25,000 to 30,000 people were expected to cross into Kenya in the next few days.

The influx is straining the resources of Kenya, which is already aiding 260,000 mainly Somali refugees who have fled fighting, drought and deprivation in their homeland. Kenya, too, is suffering from a drought that has left about a million of its northeastern residents in need of food.

Polish Deputies Target Government

WARSAW (Reuters) — Deputies from a coalition of pro-reform opposition parties in the Sejm, or lower house of parliament, filed a motion on Friday to dismiss the center-right government of Prime Minister Jan Olszewski.

The motion said that the "inefficiency" of the Council of Ministers had led to a "paralysis of the state apparatus." It added that the government had provoked a crisis damaging the state's image at home and abroad. Earlier in the week, Mr. Olszewski said his government would not resign despite President Lech Walesa's call on parliament to elect a new cabinet.

The coalition of the Democratic Union and Liberal Democratic parties of former Prime Ministers Tadeusz Mazowiecki and Jan Krzysztof Bielecki and the small Economic Program party has yet to muster enough votes in the fragmented 460-member parliament to get through a motion of no-confidence.

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Reading Perot's Lips: Taxes, Gays, etc.

By Steven A. Holmes
New York Times Service

DALLAS — In a television interview broadcast Friday night, Ross Perot, the likely presidential candidate, said that he opposed raising taxes to trim the federal budget deficit, that it would not be "realistic" for homosexuals to be in the armed forces and that he would not appoint homosexuals or adulterers to top cabinet-level jobs.

"No, I don't want anybody there that will be a point of controversy with the American people," the Dallas billionaire said during a segment of the ABC News program "20/20." "It will distract from the work to be done. So, as far as I'm concerned, what people do in their private lives is their business."

"During much of the interview, conducted by Barbara Walters, Mr. Perot repeated homilies familiar to those who have seen him on programs like the Larry King and Phil Donahue shows.

In recent weeks, as the drive to place Mr. Perot's name on the ballot has gathered momentum and public-opinion polls have shown him leading or even with President George Bush and Governor Bill Clinton of Arkansas, the likely Democratic nominee, Mr. Perot has been under increased pressure to make his opinions known on critical issues.

When asked if there should be parental approval for an abortion, he replied: "We're saying a 15-year-old girl? Sure. I think her parents should have a vote in that."

In commenting on the Senate Judiciary Committee hearings last year into allegations that Clarence Thomas had sexually harassed Anita Hill, a law school professor, when the two of them worked at the Department of Education and the Equal Employment Opportunity Commission, Mr. Perot castigated both the Senate and the nominee.

"I thought it was reprehensible, the way the senators treated Dr. Hill," he said. "They were willing to destroy her for partisan reasons. And I thought it was a sad day for our country and really

damaged the credibility of the Senate with the American people."

Ms. Walters asked, if he were a member of the Senate, would he have voted to confirm Mr. Thomas.

"I would vote for a Supreme Court justice without regard to color," he said of Justice Thomas, who is black. "I'd vote, vote solely based on ability. I have serious questions about his ability."

Would he have voted against him? "Well, it, I'd say in, in that case, I would have urged the president to come forward with a more capable person," Mr. Perot said.

Asked about his ideas for reducing the federal deficit, he said he favored a congressional act to limit federal spending and proposed to cut waste in the federal budget.

"The second thing you've got to do is then just turn the world upside down aggressively, getting rid of the waste," he said after

declaring support for legislation to limit spending. "And there is a lot of waste. And in a few weeks I will be able to go down my detailed list of where the waste is so that we can get in very, very specifics."

Mr. Perot added that he wanted to "replace our current tax system with a new tax system," which he said he would develop in consultation with leading members of Congress. When asked about increasing taxes, however, he said, "I'm absolutely against raising taxes."

In foreign affairs, Perot repeated his assertion that he would provide financial aid to the former Soviet republics to help them become economically viable. "I think the most cost-effective thing we can do is to help Russia get through the transition successfully," he said.

"And we should do it in a hard-headed way. You know, the Japanese give money, and they say that you have to buy Japanese products. We give money and

say, 'Lois of heck, fellow, just buy whatever you want anywhere.' And they take our money and buy German, Japanese, French, British products — not too smart, Barbara."

Mr. Perot, who has had contentious dealings with the State Department when he tried to deliver mail, food and medicine to American prisoners in North Vietnam in 1969 and 1970 and when two of his employees were jailed in Iran in 1979, said he would restructure the department.

"Well, first off, the embassies are relics of days of sailing ships," he said. "At one time, when you had no world communications, your ambassador spoke for you in that country. But now, with instantaneous communication around the world, the ambassador is primarily in a social role. If some American walks in with a problem, at least in all my experience, you're treated like a nuisance. I would recommend we redo the whole embassy structure."



Ross Perot with Jesse Jackson after taping a segment of a television program.

U.S. Policy Failing to Stem Flow Of Haitians

By Howard W. French
New York Times Service

PORT-AU-PRINCE, Haiti — Less than a week after the introduction of a new policy of returning fleeing Haitians directly to their country, there were signs Friday that far from slowing down, the exodus from this country has accelerated.

When it was introduced Sunday, officials here said that the new procedure was expected to quickly slow the exodus of thousands of Haitians by sending a strong message to those who leave the country in this manner that there was almost no chance of traveling far beyond Haiti's coastal waters.

On Friday, however, officials here conceded that preliminary indications suggest that if the policy of returning the Haitians directly home dissuades others from leaving, that effect will only be seen over time.

"Things certainly haven't slowed down," said Commander Larry Meisel as he oversaw the arrival of three Coast Guard cutters that were returning 734 Haitians picked up at sea over the prior 24 hours.

"It seems like with these numbers," he said, "things may even have picked up a bit. The people on board have indicated that they didn't even know of the policy."

Commander Meisel said the number of Haitians to be picked up at sea was so great that the Coast Guard did not have enough ships available to return any of the approximately 12,000 Haitians still being temporarily housed at Guantanamo, as the Bush administration intends to do.

Coast Guard officials said they had no way of estimating the number of people who may have died since the first of more than 34,000 Haitians set out to flee their country following the military coup in September that overthrew the president, the Reverend Jean-Bertrand Aristide.

The airwaves in Haiti, including local broadcasts and the Voice of America, have carried few notices of the new measures or warnings that boat travelers risk losing their lives and their money while having only the slimmest of chances of avoiding interdiction. Some officials blamed the dearth of such broadcasts for the failure of news of the new policy to reach more Haitians.

Many of the Haitians interviewed at the docks where they were returned Friday said they knew nothing of the new Bush administration policy when they set out. After being told what the Coast Guard had been ordered to do, several said they would ignore the interdiction measures and try again, or follow a growing number of other Haitians in walking across the land border to the Dominican Republic.

James Squires, press spokesman for Mr. Perot, said Mr. Kelly's timing had nothing to do with the role he played in the DEA's decision. He said Mr. Kelly had left the agency by the time it actually decided to buy the land. Mr. Lawn said the Perot land was the best site the agency examined.

Another federal official who helped the project to advance also went to work for the Perots. Michael Goldfarb, the senior Washington FAA official on the project, said his consulting firm now did work for the Perots, with the specific task of finding business for Alliance. The younger Perot said the family had hired Mr. Goldfarb about a year after he left the FAA.

The General Services Administration, which operates most federal buildings, is also considering moving the FAA's regional headquarters to Alliance from an area northwest of Fort Worth. To do so, it would have to buy the Perots' land.

The biggest catch for the Perots is a \$17 million land sale to American Airlines in a nationwide competition for a home for a new aircraft repair operation. It was financed by proceeds from a \$500 million municipal bond issue as well as 10-year property tax abatements.

The Perots' biggest lobbying effort — and one that generated the most controversy in Austin, the state capital — was for a proposal to have Alliance declared a Foreign Trade Zone. This initiative was headed by Mr. Luce and Rusty Kelley, a former state house sergeant-at-arms who once lobbied for several of Texas's highest-flying savings and loans. The Foreign Trade Zone idea was intended to attract a McDonnell-Douglas Corp. plant to Alliance.

Bush Sought to Mollify Iraqis Before the War, Memo Shows

By Elaine Sciolino
New York Times Service

WASHINGTON — A secret policy directive on the Gulf region signed by President George Bush in October 1989 said the United States should offer economic and political incentives to President Saddam Hussein of Iraq as a way of moderating his behavior and increasing U.S. influence in his country.

The directive, part of which was made available to The New York Times, also stated that Iraq should be held that the United States would impose economic and political sanctions and urge its allies to do so if Baghdad resumed its use of chemical weapons, used biological weapons or tried to develop a nuclear weapon.

The presidential order stipulated that Washington remained committed to defend its vital interests in the region, with military force if necessary, if they were threatened by the Soviet Union or another regional power.

The directive served as the operative guide for U.S. policy until Iraq invaded Kuwait in August 1990. It has become the focus of a strenuous debate over whether the United States ignored increasing signs in the late 1980s after the Iran-Iraq war that Baghdad was preparing to use its military might to intimidate its neighbors.

A portion of the directive was recently declassified by the White House after a request by Representative Samuel Gejdenson, a Democrat from Connecticut. Mr. Gejdenson said Thursday that he would

present it to a congressional hearing on U.S. policy toward Iraq. As a result, a government official made the declassified section available to The New York Times.

The section on Iran and other countries in the Gulf region was classified. It was not known whether additional material on Iraq also remained classified.

The general direction of U.S. policy before the invasion of Kuwait had been clear for some time, but the directive has remained secret.

According to the excerpts of the document, known as National Security Decision Directive 26, Mr. Bush also stated that the United States should consider selling such forms of assistance as training courses and medical exchanges on a case-by-case basis as a "means of developing access to and influence with" the Iraqi military.

"Normal relations between the U.S. and Iraq would serve our long-term interests and promote stability in the Gulf and the Middle East," the document stated. "The U.S. government should propose economic and political incentives for Iraq to moderate its behavior and to increase our influence with Iraq."

At the time, Iraq had emerged from the Iran-Iraq war as the clear victor with the most formidable military power in the Gulf, while Iran was devastated and seemed intent on reconstructing its economy. Although some analysts inside and outside of government were warning at the time that the new administration should craft a more

balanced policy that recognized Iraq, not Iran, as the primary regional threat, the directive seemed to assume that Mr. Saddam would respond favorably to rewards by Washington.

Administration officials have said that the policy also was based on the assumption that Iran and Iraq were so exhausted by their eight-year war that neither would seek outside adventures in the short term.

That assessment also was articulated in an estimate by the CIA and its sister intelligence agencies in October 1989 that stated that Iraq was not expected to turn aggressive toward its neighbors for two to three years, according to recent congressional testimony by Robert M. Gates, director of central intelligence.

The document, at least in its unclassified version, does not describe Iraq's nuclear weapons program or its use of chemical weapons against Iran and against Kurdish civilians. But the directive said Iraq would be punished if it used chemical or biological weapons or sought to develop a nuclear weapon. The Reagan and Bush administrations had strongly opposed every initiative in Congress to impose economic sanctions against Iraq for its use of chemical weapons against its Kurdish population in August 1988.

The policy also was based on an expansion of economic ties between the U.S. and Iraq would serve our longer term interests and promote stability in both the Gulf and the Middle East.

WORLD BRIEFS

at Afghan Leader's Place

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puties Target Government

...the opposition is targeting the government. The opposition is targeting the government. The opposition is targeting the government.

PEROT: Project Demonstrates How the Texan Gets Things Done

(Continued from page 1)

employed one of the most prominent lobbyists in Texas; as well as two Washington firms, Bayless, Boland, Bates & Madigan, and Lawson, Whitten & Diamond.

The Alliance Airport project is an attempt to get in on the ground floor of what many believe will be the next boom area in Texas. The Perots bought thousands of acres of Fort Worth land using some of their windfall from the 1984 sale of Electronic Data Systems Corp., the computer services company, to General Motors Corp.

When Ross Perot influences an issue, it is not lobbying. When somebody else does it, it is.

Barry Harris, FAA administrator

Real-Life Poll: Quayle Loses to Murphy Brown

NEW YORK — Americans say they believe the television character Murphy Brown, criticized by Vice President Dan Quayle for having a baby out of wedlock, would make a better parent — and president — than Mr. Quayle, according to a magazine poll.

Stripping Past From Georgia's Flag?

By Ronald Smothers
New York Times Service

ATLANTA — In a significant break with his predecessors and other Southern governors, Governor Zell Miller of Georgia said he would introduce legislation to eliminate the Confederate battle symbol from the official state flag.

Charges Widen in Beating Of Trucker in L.A. Riots

LOS ANGELES — Three men accused of the savage televised beating of a truck driver in the first hours of the Los Angeles riots had attracted 12 other people just before turning on the trucker, according to a district attorney here.

Where to Dine in Copenhagen

SCT. GERTRUDS KLOSTER
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Herald INTERNATIONAL Tribune

A Signal to Milosevic

Tardily, the European Community and the United Nations are stepping up efforts to slow the slaughter in Yugoslavia. The Community is imposing a trade embargo on Serbia, and the UN is considering broader sanctions, including the one with the sharpest edge, an oil embargo.

purpose in Europe since World War II. But if not Mr. Milosevic, then surely many of his citizens and perhaps some of his officers can see the growing determination of many other countries to deal more directly with the Yugoslav tragedy.

Fine-Tuning on China

Very soon, President George Bush is expected to renew China's favorable trade status for one more year despite Beijing's horrendous abuses of human rights.

sanctions and human rights together, and America can constructively assert its influence on behalf of liberty. Ms. Burkhalter proposes threatening China with tariff increases against selected products unless it agrees to release a significant number of political prisoners, respect basic religious freedoms and open its prisons and labor camps to international inspection.

Nixon '68, Perot '92

To watch Ross Perot's 1992 campaign is to recall Richard Nixon's in 1968. Mr. Nixon waged his real campaign on television. So has Mr. Perot. Mr. Nixon's message was disarmingly simple and unadornedly vague.

constituencies and neutralize old ones. Though a divisive war helped Eugene McCarthy drive Lyndon Johnson from office in 1968, Mr. McCarthy could not have gone as far as he did without television's stage.

Other Comment

Holdovers of Apartheid
Apartheid has been officially pronounced dead but its inequities are taking an unconscionable time to die. White teachers are being cut back at high cost while black schools are grossly understaffed.

classrooms cannot keep pace. Pupil-teacher ratios remain high. The number of pupils involved in double sessions is increasing. Redeployment of teachers from under-occupied and understaffed white schools is seemingly not on the agenda.

INTERNATIONAL HERALD TRIBUNE
KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER
LEE W. HUBNER, Publisher
JOHN VINCIGUOR, Executive Editor

A French-German Corps? Well, Why Not?

By Stephen S. Rosenfeld

WASHINGTON — Surely the most startling aspect of the post-Cold War foreign policy of that old pro George Bush is the way relations have wobbled and skidded with America's closest and most valuable allies.

Washington over what the American role — and especially the American security role — in Europe ought to be in a context involving neither Khrushchev threat nor Third World crisis.

But instead we find open sniping and ominous talk between Washington and Paris. For the French role, an inquirer can hear various explanations of principle, politics and personality.

Israel: Both Men Understand the National Realities

By A. M. Rosenthal

JERUSALEM — In Israel, governments change, and may again, soon. But the life of the nation has certain constants. They last from one election to another. And they are the only sure inheritance of the winner.

Two leaders locked in battle about almost everything vital to Israel. It is not really so. Talks with Prime Minister Yitzhak Shamir and with Yitzhak Rabin, the front-runner at the moment, showed that although they may wish each other oblivion, they both know they may need each other again.

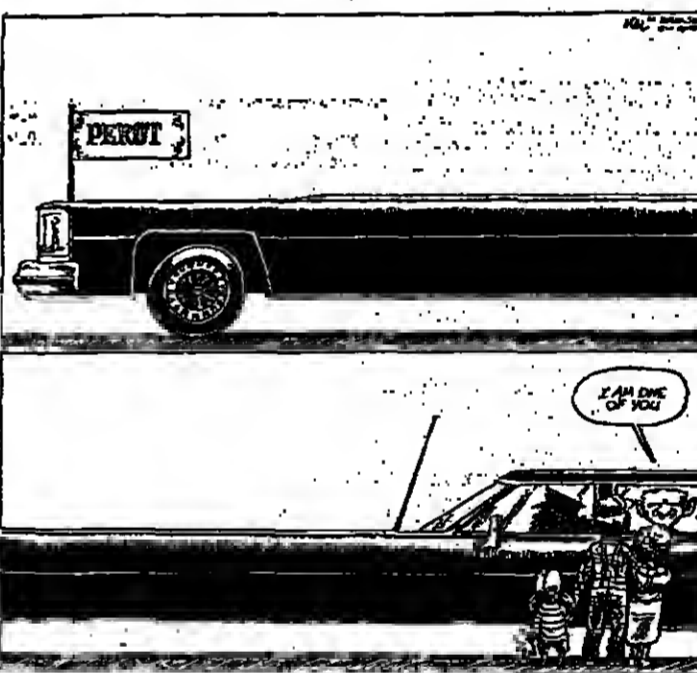
would not happen until five years from now. And, like Mr. Shamir, he sees Palestinian statehood as an unacceptable military danger to Israel. Since Palestinians insist that statehood is the only acceptable goal, they may find a Rabin prime ministership as distasteful as Mr. Shamir's.

An Electoral Train Wreck That a Pledge Could Avert

By Charles Kranthammer

WASHINGTON — The United States has enough troubles. The last thing it needs is a crisis of presidential legitimacy. It may very well get one next January.

and totally preventable. The problem is that the 12th Amendment tells the House to elect a president but does not tell a House member how to vote. The solution has been suggested by Senator Slade Gorton, Republican of Washington. Mr. Gorton suggests that if, under the 12th Amendment, the vice presidential choice comes to the Senate, no matter whom he personally prefers, no matter whom his party prefers, no matter who carries Washington state, he will feel obliged to vote for whoever wins the most votes countrywide.



for members of Congress to follow the dictate of the country and pledge to support the overall popular-vote winner. For the future, however, America will need a more durable solution. Given the decline of the two major parties, Ross Perot may not be the last serious third party candidate we live to see.

Taiwan: Building Toward a Prosperous Democracy

By Ramon H. Myers

STANFORD, California — It is an irony of recent history that Taiwan, while steadily democratizing, has emerged in a stronger position to deal with its domestic difficulties than have most other Asian states.

foundations were laid before political reforms for democracy were begun. From 1950 to 1952, Chiang Kai-shek rebuilt the Kuomintang. The new leaders were determined to construct a prosperous, democratic Taiwan to become a model for the mainland Chinese. They presided over the most cautious, responsible policy-making and made the Kuomintang accountable.

Taiwan is better poised than most states to manage their future. The writer, senior fellow at the Hoover Institution on War, Revolution and Peace, is co-author of a forthcoming book on Taiwan's democratization. He contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Parisian Panacea
PARIS — From today (May 30) till the evening of the Grand Prix on June 12, the cream of European society will be in Paris, and from nine till 11 a.m. the cream of Parisian society is in the Bois de Boulogne. It is the daily rendezvous of all that has rank, beauty, talent or money in Paris.

1942: German Repeals
LONDON — [From our New York edition] German laws against Jews enacted twelve more since they [May 25] four of whom were wanted after a speedy court martial, hanging to death the number of 'Jewesses' in the death row for the attempted assassination of Reinhard Heydrich, deputy leader of the German Gestapo (secret police). All were charged with harboring and registering persons engaged in activities hostile to Germany.

1917: Trieste in Danger
PARIS — A devastating fire continues to be poured on the mountain fortress of Hamada, where a huge battle between Italian and Austrian forces is imminent. The fate of the Adriatic ports Trieste and Fiume depends upon the outcome, and Austri-

A Pro's Pro: Truth-Teller Philip Habib

By Leslie H. Gelb

NEW YORK — After a conference where he lectured on foreign policy as the art of rights and wrong and practicality, and after dining at a three-star restaurant, Philip Habib died in France this week at the age of 72 of perhaps his 10th heart attack. I worked with him in government and harassed him as a reporter. He was the most outstanding Foreign Service officer of his generation, and he cherished his reputation as the worst Washington source for journalists.

He became the white knight of the Foreign Service at a time when presidents and various secretaries of state were casting the diplomatic corps aside in favor of political appointees. He nurtured a generation of people. Lord and as possible, Phil Habib also became the only man to be confident to four wildly different secretaries of state — Dean Rusk, Henry Kissinger, Cyrus Vance and George Shultz. And he was the only Foreign Service officer to gain the personal confidence of every president from Lyndon Johnson to Ronald Reagan.

After he sketched a balanced but bleak picture of the situation, Defense Secretary Clark Clifford asked him: if he thought a U.S. military victory was possible. In the face of Dean Rusk and William Bundy, his two superiors who would not like his answer, he responded: "Not under present circumstances." Mr. Clifford pressed on: "What would you do if the decision were yours?" Mr. Habib shot back: "Stop the bombing of North Vietnam and negotiate."

Phil Habib, known as a supporter of the war, had put his career on the line and the Wise Men knew it. They could not and did not disregard his assessment. With their backing, Clark Clifford persuaded President Johnson to level off American military involvement, stop the bombing and negotiate with Hanoi. The Maronite Christian from the poor streets of Brooklyn had pulled the plug on the war.

He believed in an older American dream and epitomized it — as the outsider who was the ultimate insider, the consummate professional. The New York Times.

Bangkok Coalition Hesitates on Choice Of Prime Minister

By Leslie R. Gross

BANGKOK — After the intervention of a senior royal adviser, the five-party coalition that controls the Thai government retreated Friday from naming a former air minister as prime minister.

such moves are expected to be fought by the military. The former foreign minister, Arsa Sarasin, a respected member of the interim government which took over after last year's bloodless coup, warned earlier this week that it would be dangerous to push the army too far.



General Chaovalit Yongchaiyut, the opposition leader who criticized the military after the recent bloodshed, announcing Friday he would reject the governing coalition's nominee for prime minister.

Beijing Rebuffs London on Hong Kong Proposal

HONG KONG — Hong Kong papers that Beijing controls delivered a blistering attack on a British minister Friday, saying the territory's future constitution could be changed to allow more democracy.

Although the Basic Law does not come into force until the handing over, members elected in 1995 will run four-year terms, taking their mandate well into Chinese rule.

Mr. Goodlad, who is minister responsible for the colony, had criticized a long-held Chinese policy Thursday when he said changes could be made if the political will existed.

Mr. Goodlad, who took up post after last month's election, has said that Britain would reopen the question of the 1995 elections with China "reasonably soon."

Mr. Samborn, who is leader of the Thai Party and maintains close ties with the military hierarchy, was quoted as saying that the coalition government, which included an anti-military faction, General Prem Tinsulanonda, himself a former prime minister, conferred with the House of Representatives to reconsider Mr. Samborn's nomination.

India Tests Missile With A-Capacity

By Steve Coll

NEW DELHI — India test-fired a ballistic missile Friday with an advertised range of up to 1,500 miles and a payload capacity sufficient to carry a nuclear warhead.

Yugoslav Pretender Finally Is Getting a Hearing in the West

By Craig R. Whitney

LONDON — Ignored by most Western governments while his country fell apart and descended into civil war, the pretender to the throne of Yugoslavia has been heard at last by officials of both the United States and Britain.

Ethnic Groups Quit Romania

The Associated Press

BUCHAREST — New census data confirms that some of Romania's ethnic minorities have begun to leave the country since the end of Communism brought free emigration, officials said Friday.

BOSNIA: Serbs, Ignoring Risk of Sanctions, Step Up Shelling of Sarajevo and Dubrovnik

(Continued from page 1)

The fighting in Bosnia-Herzegovina has left over 2,300 dead and 7,700 wounded, and has driven more than 700,000 people from their homes.

CENSUS: Numbers' Tale

(Continued from page 1)

U.S. population was smaller. Nearly 30 million persons speak a language other than English at home, and more than 40 percent of those say they do not speak English very well.

ECU: The Shine's Off Before It's On

(Continued from page 1)

own currency disappear unless they get something concrete in return.

U.S. Prison Population Hits 146% of Capacity

United Press International

WASHINGTON — The number of prisoners in state and federal prisons grew by nearly 50,000 last year, setting another record high population and forcing U.S. prisons to operate at 146 percent of their capacity, the Justice Department says.

1942: German Remembrance

(Continued from page 1)

German remembrance of the war is a complex and often controversial subject.

Palace Intrigue Grips China His Reign Ending, Deng Takes Cue From His Children

By Nicholas D. Kristof

BEIJING — For thousands of years in China, the anticipated death of an emperor has been a time of palace intrigue, when family members jostle for authority and spin webs of secrecy about the health of the great man.

So it was with Mao Zedong in the 1970s, and so it is becoming with Deng Xiaoping today.

Mr. Deng, who will turn 88 in August, does not seem to be in imminent danger — indeed, some suspect that he is immortal. But many Chinese are already concerned that Mr. Deng's children may be grasping authority and serving as his gatekeepers.

Two of his daughters, Deng Rong and Deng Rong, accompanied him on the trip to southern China, and they appear to be playing a major role in the political struggle. Deng Nan, in particular, has emerged in recent months as a central figure in her father's campaign to dislodge the hard-liners.

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International and Evangelical Sunday School 10:30 a.m. Eds. Willem, De Cuperstraat 3. Amsterdam info. 02940-15316 or 02503-41399.
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- ACROSS**
- 1 Surfer's surface
 - 4 Nape
 - 11 Nape drupe
 - 14 Clay, earth
 - 20 Rotten Row
 - 21 Jet — on start
 - 22 Stage in Prague
 - 23 Surging wild
 - 24 Works out by strenuous effort
 - 27 Redness of the skin
 - 29 Gumshoe
 - 30 — have | travel |
 - 31 Tick off
 - 32 Network or knitwork
 - 34 Wise — owl
 - 35 Mascara
 - 37 Heavy-bodied brews
 - 38 Sections for pulps
 - 41 Without limit
 - 42 Cheech's comical partner
 - 43 Suffix for poet
 - 45 Maxwell contemporary
 - 46 Leader of the across
 - 49 Attenuated
 - 50 Japanese P.M. 1964-72
 - 52 Frying pans
 - 56 Footnote abbr
 - 57 Warden cloth
 - 58 Shiner perch
 - 59 Decalogue adverb
 - 61 DeGaulle's birthplace

Cryptocrossword By Eugene T. Maleska

© New York Times, edited by Eugene Maleska.

Solution to Puzzle of May 23-24

- DOWN**
- 1 El Greco's homeland
 - 2 Knicks' coach
 - 3 Reason out
 - 4 Luke Chabls
 - 5 White House family: 1945-53
 - 6 Torrey
 - 7 Nantucket
 - 8 Putrefy
 - 9 Intimation
 - 10 Wound
 - 11 Line for adjusting a sail
 - 12 Kind of barn or port
 - 13 Septic
 - 14 Kin of viols
 - 15 Now or never
 - 16 Author Hymen
 - 17 Three-digit starter for a dialer
 - 18 Washer cycle
 - 19 Emblem
 - 24 Decathlon numbers
 - 26 Active
 - 28 Hones
 - 29 Drags along
 - 30 Dial backward
 - 37 Effulgence
 - 38 Lot or spot

DIRECTIONS:
The crossword puzzle above has no tricks but is designed as a vocabulary builder. Some of the boxes are divided in half and contain a letter inside the bottom half. Disregard these letters as you go along. The letter in the top half is part of the crossword answer.
After finishing the crossword, turn to the cryptogram below. The letters are the same as the ones in the lower halves of the boxes above. But you have placed another letter in each upper half. That letter helps to solve the cryptogram. For example, Q/X: in the cryptogram all X's would become Q's.

TECS EAYTLEZSH JRHT CRZS YOWT LKSR: "LAY BETS WHYE
YOS ORKK EJ JRCS, JEB LSYST TRZS!"

Some people may wish to solve the cryptogram with the aid of the crossword. Others may choose to solve the crossword and the cryptogram without reference to each other.

ART

Dieppe Through Painters' Eyes

By John Russell
New York Times Service

BRIGHTON, England — At any given time there is in France a little town somewhere by the sea in which painters feel especially at home. Boudin was at home in Honfleur, Monet in Etretat, Gauguin in Pont-Aven, Seurat in Gravelines, Signac in Saint-Tropez and Matisse in Collioure. After them, the magic went elsewhere for major painters, even if the places in question still had their charms.

Among the longer-running favorites, Dieppe came at the top of the list. That is made clear in the exhibition called "Rendezvous in Dieppe: The Town and Its Artists From Turner to Braque" that can be seen at the Brighton Museum and Art Gallery through June 30.

Dieppe, not far from Rouen, on the Normandy coast, has much to boast about, though boasting has never been its style. A town that has attracted J. M. W. Turner, Eugene Delacroix, Richard Parkes Bonington, Edgar Degas, Claude Monet, Camille Pissarro, Auguste Renoir, Paul Gauguin, Aubrey Beardsley, James McNeill Whistler, Max Beerbohm, Felix Vallotton, William and Ben Nicholson, Walter Richard Sickert, Matthew Smith and Georges Braque has to have been doing something right.

It is also a tribute to the discreet fascination of Dieppe that among the writers who enjoyed it are Chateaubriand, Flaubert, Turgenev, Dumas fils, Oscar Wilde, Marcel Proust and Virginia Woolf.
In 1898 it was just outside Dieppe, and not in England, that the now vastly admired English architect Edwin Lutyens completed his first private commission for a major country house. Nor is it forgotten that, among composers, Rossini, Liszt and Fauré were visitors to Dieppe, that Saint-Saens was a native of the town and that Debussy wrote his "Le Joyeux" there.

Bonington, Delacroix's closest English friend, was in Dieppe as early as 1823, when he painted the watercolor that opens the present exhibition. But as far as monumental painting was concerned, Dieppe made its entrance into the big time in 1825 when Turner painted his majestic "Dieppe Harbor," which is now in the Frick Collection in New York.

Handsome as that harbor was — and still is, despite massive damage in World War II — the painting might have been a happy but isolated fluke. When that lifelong traveler Turner moved on, that is to say, he left the landscape of Dieppe and his pioneer sea-bathers.

But Dieppe was built to last, in the cultural context. Until the first months of World War II in 1939, it was the little town of first choice not only for French artists and writers but also for many of their English colleagues. It was also the hometown of Jacques-Emile Blanche, the painter, autobiographer and Anglophile who liked nothing better than to negotiate between notabilities who might enjoy one another's company.

Blanche knew "everybody" from



"Le Grand Duquesne, Dieppe," as painted by Walter Richard Sickert in 1902.

Degas, Whistler and Aubrey Beardsley onward, and he did his best to endear Dieppe to them, and vice versa.

It was thanks in part to Blanche that Sickert came to spend the summer of 1885 in Dieppe and returned there consistently until the early 1920s. He delighted in Dieppe, and Dieppe prompted many of the paintings that caused him to be regarded as the foremost British painter of his day.

For this reason, and despite the presence in the Brighton show of Delacroix, Pissarro, Gauguin, Whistler and other major names, it is Sickert who dominates. In youth, he was a committed Whistlerian. Painting the Hotel Royal in Dieppe around 1894, he worked with hues of green and mauve and intimations of nightfall that Whistler himself could not have bettered.

But soon he was working on the landmarks of Dieppe in terms of mass and weight, and a heavily laden brush. He also had, as in "Le Grand Duquesne, Dieppe," a sense of the high drama that can be present even in a town that never strives for "importance."

To this day, Sickert is our best guide to Dieppe. The Café des Tri-

maux is still the center of the town, the facade of St. Jacques is intact, the arcades around the harbor can still be deciphered in spite of the catastrophic Allied raid on the town in 1942. His tall, narrow, sumptuously painted panels of the inner harbor put the smell of the sea under our very noses. We see the town as he saw it. We walk at his pace. We stop where he stopped. It is a glorious continuity.

Sickert can make us feel that, after him, and as far as art was concerned, Dieppe might as well have shut up shop. But a whole new cast of characters was on its way. Braque returned to his native Normandy in the 1920s and lived very near to Dieppe. In the late 1920s there was Andre Kertész, a photographer of near genius, who got the beach life of Dieppe exactly right.

Then there was the English modern movement in art, as represented by Matthew Smith, Ben Nicholson, Christopher Wood and others. And in the late 1930s there were the visits of Joan Miró, Fernand Léger and Alexander Calder.

As Braque used to make sculptures out of large pieces of chalk from the nearby cliffs, and as in the first months of World War II Miró

made his series of "Constellations" in a rented house just a mile or two away, it will be clear that the white magic of Dieppe did not peter out.

Although neither the Douanier Rousseau nor Constantin Brancusi is known to have visited Dieppe, both of them are included in the exhibition. The cliffs painted by Rousseau might be more or less anywhere, but with the eye of faith it is possible to believe that the Douanier had Dieppe in mind.

As for the Brancusi, it is a collage in which he has made a pencil drawing of his sculpture "The Kiss" and put it side by side with the coat of arms of Dieppe as it appeared on a cigarette card in the 1920s. As both "The Kiss" and the coat of arms include two people who are clearly interested in each other, its presence can be justified.

The show is the brainchild of John Willett, the English cultural historian. Though best known for his studies of the Weimar Republic, he happens to be a longtime summer resident in Dieppe. He was seconded by the young art historian Sophie Bowness, who has the subject in her blood, in that she is the granddaughter of Ben Nicholson and Barbara Hepworth.

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Vision of America In Its Folk Art

Rockefeller Collection on View

By Rita Reif
New York Times Service

WILLIAMSBURG, Virginia — As a collector, Abby Aldrich Rockefeller showed singular precision. Decades before American folk art was widely exhibited and documented in books, she bought prime examples by unidentified makers.

From the 1920s until her death in 1948, she frequented the folk-art galleries of pioneering dealers in New York and New England, acquiring the ancestor portraits, weather-vanes and cigar-store Indians that collectors, including John D. Rockefeller

of the evolution of her collection, what is sparked here by the Williamsburg is the lively show that fills the Abby Aldrich Folk Art Center, where through October.

Rockefeller said his father's folk art but tolerated his mother's taste," said Carolyn Weckley, vice president of Williamsburg. "At one time, my father began to think that folk art was run out of the house by his mother who was collecting it."

Rockefeller's husband's fears, she collected 24 items, about half her collection to Colonial Williamsburg in the late 1930s.

That gift spawned the center, the nation's first and largest museum of American folk art.

Since 1957 the collection has been housed in a red-brick Federal-style mansion, which has tripled in size with the addition of an \$8 million wing designed by Kevin Roche of Kevin Roche, John Dinkeloo & Associates.

The new building provides a spacious showcase for the onsite sculpture, furniture, quilts and painted furniture collected since 1957.

The exhibition, of 492 objects, represents a sampling of the center's wide-ranging collection of 3,000 paintings, drawings, sculpture, shop signs, weather-vanes, furniture and pottery produced from the 18th century to the late 20th century.

"All of our favorites, including 'Baby in Red Coat' by an unidentified painter and Edward Hicks' 'Peaceable Kingdom,' have been rearranged in displays that are far less cluttered than before the renovation.

In the original galleries, now reserved for Mrs. Rockefeller's folk art, there is a special display of 35 pieces lent by members of the Rockefeller family.

At least eight of these pieces, including a wooden toy horse and a peasant weather-vane, were part of "American Folk Art: The Art of the Common Man in America, 1750-1900," the first exhibition of Modern Art in New York in 1932.

All but one object in that show was owned by Mrs. Rockefeller, a founder of the Modern, who insisted that her collection be shown anonymously.

Among other family loans to the Williamsburg exhibition is a 1795 portrait of Clarendon Dix, depicted as a young boy holding a flute, by the unknown artist identified as the Beardsley Limner.

From the Rodman Rockefeller comes a haunting 1730s study of two smiling boys by John Heaton of Albany.

CURIOSLY, the painting's focus is not the young child of the Van Rensselaer family in the foreground, shown in a dress and tricorn hat, but the handsome black teenage servant in the shadows.

"It's most unusual for an 18th-century New York portrait to have an African-American in it," said Carolyn Weckley, the director of the museum. "I don't understand this painting. All the flowers and the bird on the little boy's hand have some sort of symbolism so far unthought of."

The new wing presents the center's least familiar material, including some memorable examples of 20th-century sculpture that incorporate a sensitivity, eccentricity or wit seldom found in earlier folk figures.

Near the entrance stands a gannet, weary figure of Abraham Lincoln, carved in 1939 by William Norris of Illinois.

Another figure, a 1920s fantasy carving of a half-hippo, half-rhino beast that its maker, Edgar Alexander McKillop, called "Hippocore," conceals in its back a Victrola. When the hand-cranked phonograph plays, the leather tongue wags.

Among the trade signs there is one from a 1930s shoe-repair shop: a huge saddle shoe of leather, wood, paper, rubber and paint, realistically tied with white laces and stamped Good Year/Wingfoot on the rubber heel. The shoe's maker is unknown but may one day be discovered as folk-art research continues.

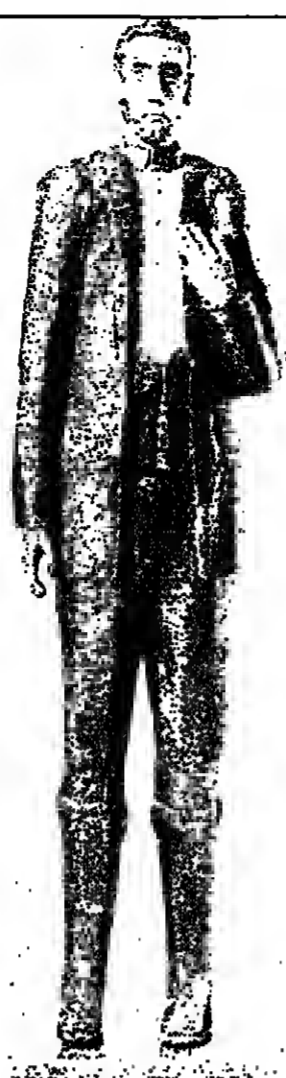
"In 1957, much of the collection — 80 or 90 percent — was anonymous," Rumford said. "Today, with increased scholarship, we probably know the names or identities of about 60 percent of the makers of the works in the collection."

Scientific analysis is also vital, Weckley said. After a figure of a race-track tout made about 1875 was examined, it was repainted to conform to the original colors.

"When he was acquired by the center, he had on a red jacket, dark green pants, a black vest and yellow cravat," she said. Now he wears a black jacket, gray pants, a red cravat, and a yellow and brown striped vest.

Though the museum was originally built to house only the Rockefeller collection, the need for expansion soon became apparent.

"Within six months after the opening," Rumford said, "Colonial Williamsburg was acquiring major examples of folk art. We've never stopped."



Carving of Lincoln by William Norris circa 1939.

Asian Collection: Story of an Obsession

NEW YORK — At distant intervals, exhibitions tell the story of a collector's passion, projecting his vision of the art and giving it a different life. "The Radiance of Jade and the Clarity of Water: Korean Ceramics From the Ataka Collection" at the Metropolitan Museum of Art is one of those rare events.

In the preface to the catalogue, Ituro Itoh, the director of the Museum of Oriental Ceramics in Osaka, describes the Balzacian obsession of a Japanese businessman whose love for pottery led him to assemble the

SOUREN MELIKIAN

finest group of Korean ceramics outside Korea and lose his company in the process.

Eiichi Ataka, now 92, already had a small collection in the 1930s. After World War II, with many private art holdings scattered, companies often stepped in to save the works for Japan.

Ataka, employed by Ataka & Co., a family trading concern founded in 1904, induced his firm to build up three collections: one of Chinese pottery, another of Korean pottery, and one of the Japanese painter Haverami Gyoshu's oeuvre. He took care of the collecting with rare single-mindedness.

In some cases, it took Ataka as long as 10 years of waiting and maneuvering to acquire pieces he had spotted. He would hang framed photographs of the bowls and vases he targeted on the walls of his bedroom, Itoh said in a telephone interview.

At the height of his collecting achievement, in which Itoh helped him as his "informal curator," Ataka got the company to hold 106 paintings by Gyoshu, 753 pieces of Korean ceramics and 144 Chinese pots.

The price paid by Ataka, who had become chief executive officer in the ninth trading firm of Japan, was heavy.

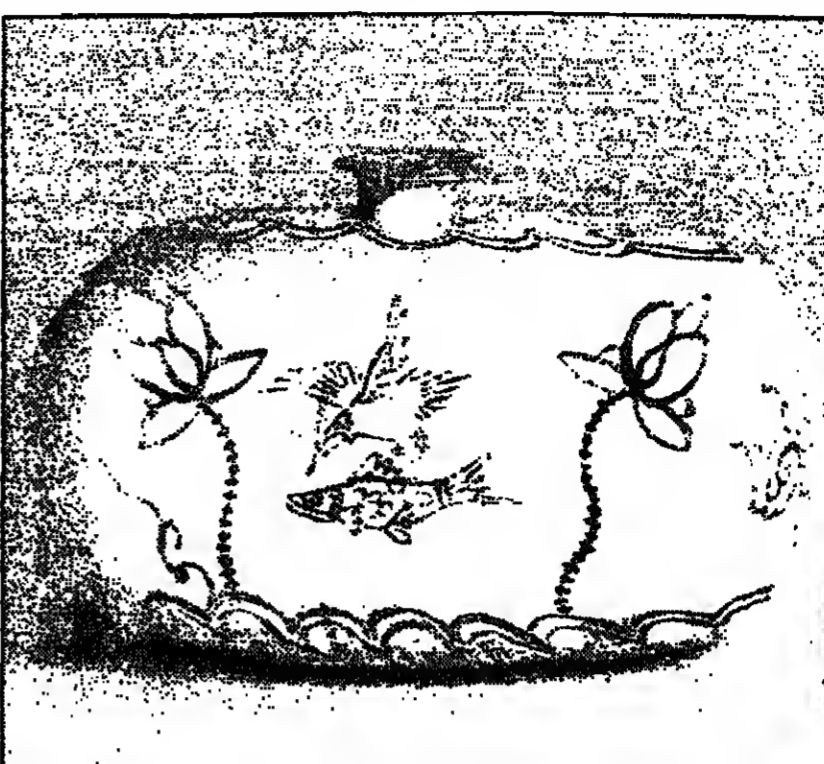
Itoh tacitly writes about a "management crisis" in 1975. Sumitomo Bank, which effectively took charge of Ataka & Co., looked at the assets and decided that the 106 paintings by Gyoshu could go. These were sold en bloc to the Yamatane Art Museum in Tokyo. In 1977, after the "merger" with C. Itoh & Co., Ataka & Co. was no more.

At that point, the fate of the ceramics became a national issue. Of the Chinese pieces, two were officially registered as "national treasures" and 10 as "important cultural properties." One Korean bowl enjoyed the former status and six, the latter.

The problem of the Ataka collection was debated in parliament. It was decided that the Sumitomo Group could be trusted to take care of it. But the Ataka collection was a hot potato. To quote Itoh, "there was a policy in effect to prevent its dispersal or sale outside Japan."

In 1980, the Sumitomo Group took a heroic step. It would donate the collection to the city of Osaka, each one of its 21 companies depositing an undisclosed amount in a bank account held by the city. Another donation would provide for the construction of a museum.

"The total contribution was unprecedented in the history of preserving Japanese cultural property," Itoh writes, refraining from



15th-century Punch'ong vase, brown strokes on ivory ground; 12th-century Korean waterdropper.

giving numbers. In the interview, the curator put the cost of the pottery collection at 15.2 billion yen (\$117 million), half of which is accounted for by the Korean pottery. The businessman Ataka had lost the game, but the collector's acumen had ensured his survival.

What is this collection that has monopolized the energy of a Japanese businessman and focused the attention of a nation?

None of the Chinese pieces is in the show, which is a thousand pities. They are said to rank among the greatest and would provide a fascinating parallel between the Japanese approach to Chinese and Korean pottery. While Korea is indebted to China for some shapes and some themes, an abyss separates the aesthetics of the two Asian cultures.

This comes out even when the links seem closest. Chinese celadons of the 12th and 13th century were universally admired in Asia for the exquisite nuances of their bluish greens and the subtle sheen of their glazes, as smooth in the hand as they are impeccable in their monochrome evenness. The Korean potter drastically modified this effect with glazes varying in thickness and intensity of hue contriving a cloudy impression that can be very poetic.

Such is the case with a rectangular vessel done in imitation of one of the archaic Chinese bronzes that were then beginning to be collected in the Far East as they came to light in chance digs. Slightly irregular in shape, the Korean piece has a spontaneous character that, combined with the uneven drapes of glaze, deeply appeals to the Japanese aesthetic sense — the vessel carries an "important art object" label in the national art registration system.

So does the figure of a little girl seated clutching a bottle too big for her with an

amusing tiny Korean hat perched on her round head. The sensitive handling of the features — shyly pressed lips, a childish snub nose, slit eyes irregularly set apart and wide open in staring attention — and the incised pattern identical on the vase and sleeves, with false country folk simplicity, give this waterdropper based on the Chinese tradition a very Korean garb.

In most cases, the versatile Koreans boldly innovated. They devised a technique of colored inlays, which I suspect was inspired by the sight of inlaid bronzes from the Middle East. The technique was used on celadon wares to apply slender linear designs, with a love of roundels of geometric precision as on Iranian bronzes. Used on pottery with the help of contrasted colors, such as celadon green with black outlines on ivory ground, the effect is uniquely Korean.

A ewer decorated with vines amid which little boys are perched — a theme borrowed from the Hellenistic world via Iranian metalwork — betrays a comic vein well suited to the Japanese sense of caricature. Not surprisingly, it is rated an "important cultural property."

Moving further away still from China, Korean potters used in a few cases discreet touches of red in predominantly celadon patterns. A bottle with oval body and tubular neck that decorated with an extraordinary sense of color effectiveness is one of the finest of its kind hardly matched in Western collections.

As time went by, the gap with China widened. A group of 15th-century pieces of so-called Punch'ong type, with rough, uneven geometric decoration or large, equally rough, formal blossoms is rarely seen outside Korea and Japan. Rarer still are such vases as the horizontal cylindrical container painted

with a bird pouncing on a fish between two lotus plants. The vigor of the brushwork done in quick brown strokes on ivory ground by an artist much influenced by Shon-Zen in Japanese — Buddhism is as good as any seen in professional painting.

JAMES Wait, senior curator of Asian art, who mounted the show at the Met, said that this and some other cartoonlike faces engraved under the glaze, a monochrome vase of the 15th or 16th century that has gone brown as a result of handling, are the ultimate to the Japanese. This is after all the time when the tea ceremony was being introduced into the land — from Korea.

A few more must be added. A wonderful jar with rounded shoulder has lotus blossoms in light blue with copper red petals jutting forth from the base and swaying across the off-white surface. Made in the 18th century, it belongs to that uniquely Korean blue and white pottery, hardly known in the West — and certainly not on that level of quality.

When asked about his own favorite piece, Itoh mentioned a 16th-century square, rounded jar with wide mouth.

"When I see this shape, I feel peaceful. If I am irritated, the anger goes." The glaze, he says, comes next in his admiration. The lower portion of the ivory colored piece turns a rusty brown after prolonged handling, a kind of patination particularly sought after in Japan.

This unusual exhibition, which reveals some little known aspects of Korean culture, says at least as much about the aesthetics of Japan, so deeply indebted to its continental neighbor.

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NYSE

Friday's Closing
Takes include bid-ask spreads, prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Symbol	Price	Change
IBM	114.25	+0.50
Microsoft	64.50	+0.25
Apple	55.00	+0.50
Oracle	48.00	+0.25
Lucent	38.00	+0.25
Motorola	35.00	+0.25
AT&T	32.00	+0.25
WorldCom	28.00	+0.25
Verizon	25.00	+0.25
Sprint	22.00	+0.25
Qwest	18.00	+0.25
Southwest	15.00	+0.25
Delta	12.00	+0.25
American	10.00	+0.25
United	8.00	+0.25
JetBlue	6.00	+0.25
Allegiant	4.00	+0.25
Southwest	3.00	+0.25
Delta	2.00	+0.25
American	1.50	+0.25
United	1.00	+0.25
JetBlue	0.50	+0.25
Allegiant	0.25	+0.25

Symbol	Price	Change
Alcoa	45.00	+0.25
Alumina	38.00	+0.25
Aluminum	32.00	+0.25
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Aluminum	3.00	+0.25
Aluminum	2.00	+0.25
Aluminum	1.50	+0.25
Aluminum	1.00	+0.25
Aluminum	0.50	+0.25
Aluminum	0.25	+0.25

Symbol	Price	Change
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Genentech	20.00	+0.25
Abbott	18.00	+0.25
Novartis	15.00	+0.25
Amgen	12.00	+0.25
Genentech	10.00	+0.25
Abbott	8.00	+0.25
Novartis	6.00	+0.25
Amgen	4.00	+0.25
Genentech	3.00	+0.25
Abbott	2.00	+0.25
Novartis	1.50	+0.25
Amgen	1.00	+0.25
Genentech	0.50	+0.25
Abbott	0.25	+0.25

Symbol	Price	Change
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Boeing	35.00	+0.25
Lockheed Martin	25.00	+0.25
Northrop Grumman	15.00	+0.25
Raytheon	10.00	+0.25
Boeing	8.00	+0.25
Lockheed Martin	6.00	+0.25
Northrop Grumman	4.00	+0.25
Raytheon	3.00	+0.25
Boeing	2.00	+0.25
Lockheed Martin	1.50	+0.25
Northrop Grumman	1.00	+0.25
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Boeing	0.25	+0.25

Symbol	Price	Change
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Boeing	10.00	+0.25
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Raytheon	4.00	+0.25
Boeing	3.00	+0.25
Lockheed Martin	2.00	+0.25
Northrop Grumman	1.50	+0.25
Raytheon	1.00	+0.25
Boeing	0.50	+0.25
Lockheed Martin	0.25	+0.25

Symbol	Price	Change
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Boeing	1.50	+0.25
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Raytheon	0.25	+0.25

Symbol	Price	Change
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Northrop Grumman	1.50	+0.25
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Symbol	Price	Change
General Electric	10.00	+0.25
Westinghouse	8.00	+0.25
Lockheed Martin	6.00	+0.25
Northrop Grumman	4.00	+0.25
Raytheon	3.00	+0.25
Boeing	2.00	+0.25
Lockheed Martin	1.50	+0.25
Northrop Grumman	1.00	+0.25
Raytheon	0.50	+0.25
Boeing	0.25	+0.25

Symbol	Price	Change
General Electric	5.00	+0.25
Westinghouse	4.00	+0.25
Lockheed Martin	3.00	+0.25
Northrop Grumman	2.00	+0.25
Raytheon	1.50	+0.25
Boeing	1.00	+0.25
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Symbol	Price	Change
General Electric	3.00	+0.25
Westinghouse	2.00	+0.25
Lockheed Martin	1.50	+0.25
Northrop Grumman	1.00	+0.25
Raytheon	0.50	+0.25

Symbol	Price	Change
General Electric	2.00	+0.25
Westinghouse	1.50	+0.25
Lockheed Martin	1.00	+0.25
Northrop Grumman	0.50	+0.25

Symbol	Price	Change
General Electric	1.50	+0.25
Westinghouse	1.00	+0.25
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(Continued on page 11)

NYSE High-Lows

Symbol	High	Low
IBM	114.25	113.75
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Delta	2.00	1.50
American	1.50	1.00
United	1.00	0.50
JetBlue	0.50	0.25
Allegiant	0.25	0.00

AMEX High-Lows

Symbol	High	Low
Gold	380.00	375.00
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Copper	3.50	3.40
Aluminum	1.50	1.45
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ECONOMIC SCENE

23 Years of Making Sense Of This Complex World

By Leonard Silk
New York Times Service

NEW YORK — Stephen Potter, creator of "Gamesmanship," the art of being one-up on competitors, called economics "the plunking science." He instructed would-be plunkers: "If you have nothing to say, or rather, something stupid and obvious, say it, but in a plunking tone of voice — i.e., roundly, but hollowly and dogmatically."

As an economic journalist, I have sought to rid economics of its plunking tone, and to demonstrate that behind the tone, economics has many nonstupid and nonobvious things to say. There is Slutsky's Proposition, maintaining that the moving average of a random series of numbers oscillates through time; or Keynes's Paradox of Thrift, which holds that an individual can save more by spending less but a society may wind up saving less if it cuts spending; or Pareto-optimality, the concept of an ideal economic state at which nobody can be made better off without making somebody else worse off.

Economics aims to improve humanity's lot, especially that of the poor.

These concepts and doctrines are relevant to such issues as how to get the economy to expand more vigorously and how to solve America's social ills. But once is an eternal verity, each is a tool, useful if applied to an economy in a particular state and to serve a particular objective, and destructive if misapplied. A government or central bank can be led into a policy of doing nothing if Slutsky's Proposition is interpreted to mean that any deliberate effort to stabilize the economy will destabilize it further. Keynes's paradox of thrift may be useful for helping to cure unemployment but not inflation or stagflation; it offers short-term stimulus but may worsen debt, reduce savings and investment, and curtail long-term growth. Pareto-optimality may be used to support a right-wing social policy by implying that an effort to help the poor will worsen the state of society, if it makes the rich worse off, even temporarily.

THE RELATIVE simplicities of economics are essential as a means of making sense of a complex world. The danger comes when economists fall in love with abstractions and begin to consider them more real than reality. From that cocoon, it is a short jump to dogmatism and plunking, and the economics profession becomes a mud-slinging match against rivals.

The real world we try to understand and, if possible, improve is one of people, smart and dumb, ambitious and lazy, good and bad and in between; and institutions, rigid and flexible, free and enslaving, decaying and progressive, as well as the natural environment. Economics cannot simply study a very limited domain, to which it assertedly holds a magic key.

As an economic journalist, I felt that what I had to explain was not eternity but particular events, stories or, to be fancier, history. This meant trying to understand presidents, Treasury secretaries, Federal Reserve chairmen, corporate chairmen and other decision makers or evaders.

And it meant dealing with the question of whether those "heroes," to use Thomas Carlyle's term, mattered so much or whether institutions — the White House, the political party, the Fed and its traditions, including an addiction to secrecy, the Pentagon, the corporation, the courts and laws, property rights, civil rights, etc. — were the real shapers of history, including economic history.

I see economics as a branch of philosophy — moral philosophy, as it was called in the days of Adam Smith. Its mission is to improve the lot of humanity, especially that of the poor.

It is never easy to be sure one has gotten the whole truth. Still, my conviction is that there always is such a thing as the truth and one must pursue it with all one's heart and mind, and with deep respect for the facts. And, if possible, with humility and a sense of humor. All the while, I have had the benefit of voluminous letters from people who liked what I had written and people who hated it. To friends and foes alike, I bid an appreciative farewell.

Leonard Silk, economic columnist for The New York Times since 1969, is retiring.

**Where's the Next Walkman?
 Looking for a Hit at the Electronics Show**

By Adam Bryant
New York Times Service

CHICAGO — Jackie Tompkins says she knows how to invigorate the consumer-electronics industry. Her secret weapon, in development for two years, is Collecto-Vid, a bookshelf of omelette-colored boxes designed to clean up videotape clutter. An index book, with a sleeve to hold a TV Guide, "makes instant access easy as punch," she said. "We're going to energize tape sales."

Ms. Tompkins is one of many exhibitors at the summer Consumer Electronics Show, which opened in Chicago on Thursday, who are pitching items they hope will turn out to be what the industry needs: another hit product with the must-have status enjoyed by compact-disk players and videocassette recorders. The industry's sales growth dipped into single digits last year, and fierce price wars are grinding down profit margins. Ms. Tompkins faces competition from other start-up entrepreneurs, like the makers of Tele-Fire, an opaque screen placed in front of a television that creates a "parade of visual surprises in kaleidoscopic colors" when a program is played behind it. But many of the more likely winners in the race to find the next Walkman are also displaying their wares in the cavernous McCormick Place. Philips demonstrated more software programs for its fledgling interactive compact-disk system, known as CD-I. The \$500 system can play audio compact disks, video games showing real actors instead of animated characters, and videos with high-quality sound. Philips hopes it will ultimately integrate with other entertainment and information systems. Sony and Matsushita plan to introduce similar systems in the fall in Japan but for now are leaving Philips alone to try to build demand.

Because demand for the machine will grow out of interest in software programs, Philips executives said Thursday that the company was producing 194

programs and would issue 100 before the end of the year. The interactive software ranges from tours of museums to children's educational programs. Martin Brochstein, a senior editor of Television Digest, an industry newsletter, said that while the product demonstration was impressive, Philips would need help to spread its CD-I message. "One company cannot make a standard," he said. But Philips is getting some indirect help from Eastman Kodak Co., which has developed a Photo-CD system that is compatible with the Philips CD-I machine. With Kodak's system, picture takers can transfer negatives and slides to a compact disk, which can then be displayed on a television screen with the right equipment. The application of digital technology has created other noteworthy developments that drew large crowds at the show.

Many people lined up to hear the new digital compact cassettes under development by Philips. The digital cassettes will compete with the recordable compact disk being developed by Sony. Earlier this week, Philips announced roughly 150 musical artists whose work will be released in the digital cassette format, hoping that the music will drive demand for the hardware. Two video-game makers, Sega of America and Nintendo, also plan to compete with compact digital technology.

One of the more difficult selling jobs facing exhibitors at the show belongs to Janis Birzniece, general manager of Baltek Inc. of San Francisco. Baltek recently won the exclusive contract to distribute loudspeakers made in Latvia. The company concedes that it may be difficult to convince American consumers about the quality of products made in a former Soviet republic. Indeed, its print advertisement asks in bold letters, "Loudspeakers from where?"

One of Baltek's marketing strategies is to appeal directly to the 100,000 people of Latvian descent living in the United States, so it is advertising in specialized journals and ethnic newspapers.

Apple Has High Hopes for Newton

Compiled by Our Staff From Dispatches

CHICAGO — Apple Computer Inc. on Friday provided the first look at its Newton technology, an electronic pen and notebook that packs the power of a small computer.

Newton falls into a class of products Apple calls Personal Digital Assistants that bridge the gap between personal computers and consumer electronics, a market that analysts forecast will be worth \$3.5 billion by 1995.

The first Newton products will be electronic notepads — small portable devices that allow free-form note taking. The company provided some details Friday at the Consumer Electronics Show and said it would show a film of the Newton but not display it at the show.

Because the Newton is light, a user will be able to carry it as a personal electronic notepad, fax board and organizer, Apple said. It will enter handwritten data automatically in appropriate categories in a user's directory. Although designed for ease of use, it will be as powerful as many desktop computers. It will be driven by an advanced RISC, or reduced instruction-set computing, chip.

Newton is the first technology announced from Apple's Personal Interactive Electronics division. It will be the core of Apple's first major new

product line since the Macintosh personal computer was introduced in 1984. To help spread Newton technology, Apple said, it is licensing Newton to other manufacturers, such as Sharp Corp. of Japan, to use in their own versions of Newton devices.

It said other companies including Motorola Inc., Pacific Telesis Group, Random House, SkyTel Corp. and Travelling Software Inc., were releasing Newton-based products.

Analysts who have seen Newton like it, but they also question the size of the potential market for a personal organizer priced close to \$1,000. If Newton remains little more than a more elegant version of Sharp's Wizard pocket organizer, the market will be small, they say. But if Newton can harness digital technology for nonusers of computers, the potential market is huge.

The Newton technology seems to resemble what Tandy Corp.'s Grid Computer division has sold since 1988 in its \$2,500 GridPad and PalmPad PCs. The Tandy PCs have microprocessors that use neural technology with enough machine "intelligence" to interpret handwriting and software that responds to touchscreen commands. On Tuesday, Tandy announced alliances with Casio Corp. and two other companies for improved versions of the lightweight PCs. (Reuters, Bloomberg, NYT)

**Tokyo Stocks Shunned
 Foreign Investors Turn Net Sellers**

By Steven Brill
International Herald Tribune

TOKYO — Foreign investors, one of the few sources of support for Japan's ailing stock market during the past year, are losing their interest for Tokyo shares. The development lessens the chance of a major rebound in the equity market and could spur policymakers to encourage buying by domestic institutions, analysts said Friday.

Reversing a 30-week pattern, foreigners turned net sellers of Japanese stocks in the week from May 18 to 22, unloading a net 2.27 billion yen (\$17.5 million) on the Tokyo, Osaka and Nagoya stock exchanges, data from the bourses showed.

"It's very negative for the market," said Craig Chudler, a strategist at UBS/Phillips & Drew. "If you remove the foreigners, you remove the key support."

Foreigners were often the only bulls during the 2 1/2-year slide on the Tokyo equity market, which has cut the value of the index by more than half. While foreign institutions took advantage of the decline to buy relatively cheap shares, most have achieved adequate weightings in Japanese equities and have little need to increase their exposure. Although foreign investors are not likely to turn major net sellers, the days of heavy foreign investing appear to have ended.

Foreign investors own about 6 percent of Tokyo shares, but their impact on the market is greater. They accounted for 18 percent of turnover in 1991 and 21 percent of buying, Mr. Chudler estimated, adding that foreign buying had lent psychological support to the market. Japanese investors said the lack of foreign support contributed to the market's sharp downturn in March and April.

To some extent, Japanese individual investors have taken up the slack, helping the Nikkei average to consolidate around the 18,000 level. But trading remains thin and volatile, and the lack of heavy foreign buying is likely to make investors and authorities more nervous.

The Tokyo stock market rose sharply Friday because of the rapid appreciation of the yen, firm bond prices and purchases by new investment trust funds. The Nikkei average closed 416.50 points higher, at 18,347.75.

Japan Envisages Long Period of Slower Growth

By Paul Blustein
Washington Post Service

TOKYO — The Japanese economy has begun to show signs of recovering from recession, but it will be a long time before Japan grows again at the supercharged rate of the late 1980s, according to government statements and reports issued Friday.

The reports said that while the downturn appeared to be bottoming out, Japan was entering a new phase in which its economy will grow over the next five years at the slowest pace of the postwar era — 3.5 percent a year, on average. The five-year growth forecast was issued by the Economic Council, an

advisory panel. It marks the official acceptance of a view widely shared by private economists, that in the 1990s, Japan's economic momentum will throttle down to a pace more like that of other industrial countries, in part because of an increasingly severe labor shortage.

"It's not just a temporary slowdown; there is a structural one as well," said Robert Feldman, an economist in the Tokyo branch of Salomon Brothers. The council's forecast is emblematic of a sea-change in Japan's economy as the nation emerges from the "bubble" era of the late 1980s and its subsequent collapse. During much of the last half of the decade, Japan's economy grew well above 5 percent annually, as stock and real estate prices soared. The bursting of the bubble has thrown the economy into recession for the first time since 1986.

Although the economic slump and the Tokyo stock market's well-publicized woes have raised expectations that Japanese industry has finally lost its competitive edge, few economists think that the nation's problems go that deep. Japanese companies gained great strength in recent years as a result of a binge of spending on factories and

machinery in which more than 20 percent of gross national product was devoted to such investments. Nonetheless, experts believe that the economy will be restrained by a number of factors, chief among them the labor shortage, which is expected to become even more acute. The number of people aged 15 to 64 will begin to decline in 1995, the result of a sharp drop in the birth rate that began in the 1960s. The worsening labor shortage comes as Japanese companies are cutting spending on factories and machinery. Although such spending is expected to pick up when the economy recovers, most economists believe it will fall short of the stupendous rates of the late 1980s.

The Economic Council's projection of 3.5 percent average annual growth over the five years starting in April 1992 represents only a quarter-point reduction from the previous forecast of 3.75 percent, made in 1988. But some analysts are skeptical that the 3.5 percent figure will be realized unless the government takes major steps to improve people's life-styles. "I think they're right that the economy will slow down, but they didn't go low enough in their prediction based on current policies," said Patricia Kuywama, an economist at J.P. Morgan in Tokyo.

The Bank of Japan has made clear that it will use interest-rate policy to keep a lid on growth so the bubble economy does not return. Still, the central bank and other government bodies, including the Economic Planning Agency, suggested that the economy appeared to have stopped declining and that a recovery was likely to begin in coming months.

In its monthly report, the Bank of Japan stopped referring to the economy as being in a "deepening adjustment phase," and the planning agency likewise softened its description of the downturn. The Ministry of International Trade and Industry disagreed, however, warning that the economy may not recover this year.

CURRENCY RATES

Currency	30-day	60-day	90-day	1-year	3-year	5-year
U.S. Dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
British Pound	1.6438	1.6438	1.6438	1.6438	1.6438	1.6438
West German Mark	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756
Japanese Yen	163.87	163.87	163.87	163.87	163.87	163.87
French Franc	166.37	166.37	166.37	166.37	166.37	166.37
Italian Lira	2036.27	2036.27	2036.27	2036.27	2036.27	2036.27
Spanish Peseta	166.37	166.37	166.37	166.37	166.37	166.37
Swiss Franc	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756
Canadian Dollar	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
Australian Dollar	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
New Zealand Dollar	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
South African Rand	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
Portuguese Escudo	200.48	200.48	200.48	200.48	200.48	200.48
Irish Punt	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
Belgian Franc	136.63	136.63	136.63	136.63	136.63	136.63
Dutch Guilder	2.2037	2.2037	2.2037	2.2037	2.2037	2.2037
Swedish Krona	8.4663	8.4663	8.4663	8.4663	8.4663	8.4663
Norwegian Krone	4.7556	4.7556	4.7556	4.7556	4.7556	4.7556
Israeli Sheqel	1.3673	1.3673	1.3673	1.3673	1.3673	1.3673
South Korean Won	166.37	166.37	166.37	166.37	166.37	166.37
Hong Kong Dollar	7.7556	7.7556	7.7556	7.7556	7.7556	7.7556
Taiwan Dollar	35.4803	35.4803	35.4803	35.4803	35.4803	35.4803
Thai Baht	50.3371	50.3371	50.3371	50.3371	50.3371	50.3371
Singapore Dollar	1.3673	1.3673	1.3673	1.3673	1.3673	1.3673
Malaysian Ringgit	2.3673	2.3673	2.3673	2.3673	2.3673	2.3673
Philippine Peso	47.7835	47.7835	47.7835	47.7835	47.7835	47.7835
Indonesian Rupiah	166.37	166.37	166.37	166.37	166.37	166.37
Thai Baht	50.3371	50.3371	50.3371	50.3371	50.3371	50.3371
Singapore Dollar	1.3673	1.3673	1.3673	1.3673	1.3673	1.3673
Malaysian Ringgit	2.3673	2.3673	2.3673	2.3673	2.3673	2.3673
Philippine Peso	47.7835	47.7835	47.7835	47.7835	47.7835	47.7835
Indonesian Rupiah	166.37	166.37	166.37	166.37	166.37	166.37

Other Dollar Values

Currency	Per \$	Currency	Per \$
Australian Dollar	0.7500	Canadian Dollar	0.7500
British Pound	1.6438	French Franc	166.37
West German Mark	1.4756	Italian Lira	2036.27
Japanese Yen	163.87	Spanish Peseta	166.37
Swiss Franc	1.4756	South African Rand	0.7500
Canadian Dollar	0.7500	New Zealand Dollar	0.7500
Australian Dollar	0.7500	South Korean Won	166.37
Hong Kong Dollar	7.7556	Taiwan Dollar	35.4803
Taiwan Dollar	35.4803	Thai Baht	50.3371
Thai Baht	50.3371	Singapore Dollar	1.3673
Singapore Dollar	1.3673	Malaysian Ringgit	2.3673
Malaysian Ringgit	2.3673	Philippine Peso	47.7835
Philippine Peso	47.7835	Indonesian Rupiah	166.37

Forward Rates

Currency	30-day	60-day	90-day	1-year	3-year	5-year
U.S. Dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
British Pound	1.6438	1.6438	1.6438	1.6438	1.6438	1.6438
West German Mark	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756
Japanese Yen	163.87	163.87	163.87	163.87	163.87	163.87
French Franc	166.37	166.37	166.37	166.37	166.37	166.37
Italian Lira	2036.27	2036.27	2036.27	2036.27	2036.27	2036.27
Spanish Peseta	166.37	166.37	166.37	166.37	166.37	166.37
Swiss Franc	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756
Canadian Dollar	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
Australian Dollar	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
New Zealand Dollar	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
South African Rand	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
Portuguese Escudo	200.48	200.48	200.48	200.48	200.48	200.48
Irish Punt	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
Belgian Franc	136.63	136.63	136.63	136.63	136.63	136.63
Dutch Guilder	2.2037	2.2037	2.2037	2.2037	2.2037	2.2037
Swedish Krona	8.4663	8.4663	8.4663	8.4663	8.4663	8.4663
Norwegian Krone	4.7556	4.7556	4.7556	4.7556	4.7556	4.7556
Israeli Sheqel	1.3673	1.3673	1.3673	1.3673	1.3673	1.3673
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Singapore Dollar	1.3673	1.3673	1.3673	1.3673	1.3673	1.3673
Malaysian Ringgit	2.3673	2.3673	2.3673	2.3673	2.3673	2.3673
Philippine Peso	47.7835	47.7835	47.7835	47.7835	47.7835	47.7835
Indonesian Rupiah	166.37	166.37	166.37	166.37	166.37	166.37

INTEREST RATES

Eurocurrency Deposits

Currency	3-month	6-month	9-month	1-year
U.S. Dollar	5.75%	6.00%	6.25%	6.50%
British Pound	6.00%	6.25%	6.50%	6.75%
West German Mark	6.25%	6.50%	6.75%	7.00%
Japanese Yen	6.50%	6.75%	7.00%	7.25%
French Franc	6.75%	7.00%	7.25%	7.50%
Italian Lira	7.00%	7.25%	7.50%	7.75%
Spanish Peseta				

MARKET DIARY

Dollar Ends Lower On Asian Selling

NEW YORK — The dollar ended early 2 p.m. and 2 yen lower on Friday, extending steep overnight losses in Japan. Dealers said the dollar's slide was triggered by Bank of Japan...

frances, down from 1,476 francs, and 5,401 French francs, down from 5,462 francs. The British pound rose to \$1.8285 from \$1.8050. Traders were discouraged by a report Friday that showed the U.S. economy grew at a seasonally adjusted annual rate of 2.4 percent during the first quarter of the year...

ECONOMY: Growth Up to 2.4%

(Continued from page 1) keeping a good in the flank of the Federal Reserve Board, which shifted last week to a neutral credit policy and away from a bias to ease credit. The Fed reported Thursday that all three major money supply measures fell during the week ended...

regards as the capacity of the debilitated U.S. economy to expand, and by itself does not justify more monetary stimulus. The Commerce Department also reported Friday that after-tax corporate profits had surged 8 percent in the first three months of 1992 to an annual rate of \$204.9 billion. It was the best showing since the first quarter of 1988. Profits had risen at a scant 0.1 percent annual rate in the last three months of 1991.

World Stock Markets

Table listing stock market performance across various global regions including Amsterdam, Helsinki, Hong Kong, Frankfurt, Johannesburg, London, Milan, Madrid, Sao Paulo, Singapore, Stockholm, Zurich, and Toronto. Columns include market name, index value, and percentage change.

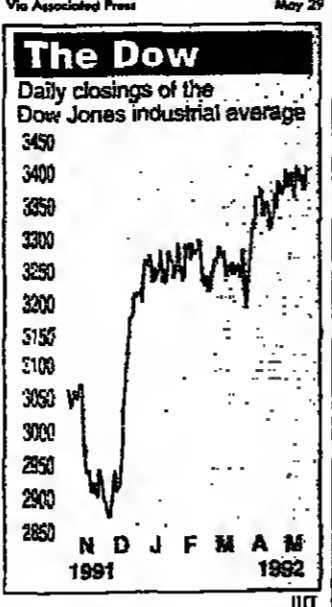


Table of Dow Jones Averages showing Open, High, Low, and Last prices for the Dow Jones Industrial Average, Standard & Poor's Index, and NYSE Index.

Table of NYSE Most Actives listing the top 10 most active stocks on the New York Stock Exchange, including volume, price, and change.

Table of NYSE Diary listing advanced, declined, and unchanged stocks on the NYSE, along with total issues, new highs, and new lows.

Table of NASDAQ Diary listing advanced, declined, and unchanged stocks on the NASDAQ, along with total issues, new highs, and new lows.

Bond Gets 2 1/2 Years in Jail

PERTH — The bankrupt tycoon Alan Bond was sentenced Friday to 2 1/2 years in prison by a judge who said he could not "show special leniency to people who have fallen from great heights. Mr. Bond, 54, was jailed by Judge Blake on one day after a jury found him guilty of dishonestly obtaining a 16 million Australian dollar (\$12 million) fee while organizing an attempted rescue of the Perth merchant bank, Rothwells Ltd., in October 1987.

EUROPEAN FUTURES

Large table of European futures markets including SUGAR (POX), COCOA (POX), NYSE Indexes, AMEX Stock Index, Dow Jones Bond Averages, Market Sales, NYSE Odd-Lot Trading, S&P 100 Index Options, and various commodities like Wheat, Soybeans, and Metals.

U.S. FUTURES

Table of U.S. futures markets including SUGAR (POX), COCOA (POX), NYSE Indexes, AMEX Stock Index, Dow Jones Bond Averages, Market Sales, NYSE Odd-Lot Trading, S&P 100 Index Options, and various commodities like Wheat, Soybeans, and Metals.

U.S. / AT THE CLOSE

IBM Seen Linking With PC Maker NEW YORK (AP) — International Business Machines Corp. will buy a small stake in a maker of high-end personal computers and retool the machines under the IBM label, industry executives said Friday.

Gabelli Stirs Opposition Over Centel NEW YORK (IHT) — Opposition mounted Friday to Centel Corp.'s proposed \$2.85 billion sale to Sprint Corp. when Mario Gabelli, a fund manager and major Centel holder, called a meeting of stockholders and analysts that could develop into a full-scale revolt to block the deal.

Drexel Sues Boesky on Insider Deals NEW YORK (Reuters) — In a bizarre twist in the insider-trading saga of the 1980s, Drexel Burnham Lambert Group Inc. has sued Ivan F. Boesky for theft of company property.

SEC Proposes Asset-Backed Shift WASHINGTON (Combined Dispatches) — The Securities and Exchange Commission proposed Friday making it easier for companies to raise cash by tapping the hot market for asset-backed securities.

For the Record Zenith Electronics Corp. and American Telephone & Telegraph Co. successfully broadcast a high-definition television signal over 75 miles in a test of one of five systems seeking approval as the U.S. HDTV standard.

Large vertical advertisement on the right margin for 'ESTO' and 'MERCED' featuring various products and services.

NASDAQ

Friday's Prices
The list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Stock	Div	Yld	PE	High	Low	Close
AA						
ABB						
ABC						
ABG						
ABT						
ABX						
AC						
ACC						
ACD						
ACE						
ACG						
ACH						
ACI						
ACJ						
ACK						
ACL						
ACM						
ACN						
ACO						
ACP						
ACQ						
ACR						
ACS						
ACT						
ACU						
ACV						
ACW						
ACX						
ACY						
ACZ						

Stock	Div	Yld	PE	High	Low	Close
AD						
ADD						
ADG						
ADH						
ADI						
ADJ						
ADK						
ADL						
ADM						
ADN						
ADO						
ADP						
ADQ						
ADR						
ADS						
ADT						
ADU						
ADV						
ADW						
ADX						
ADY						
ADZ						

AMEX

Friday's Closing
Tables include the nationwide tapes up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Stock	Div	Yld	PE	High	Low	Close
AA						
ABB						
ABC						
ABG						
ABT						
ABX						
AC						
ACC						
ACD						
ACE						
ACG						
ACH						
ACI						
ACJ						
ACK						
ACL						
ACM						
ACN						
ACO						
ACP						
ACQ						
ACR						
ACS						
ACT						
ACU						
ACV						
ACW						
ACX						
ACY						
ACZ						

Stock	Div	Yld	PE	High	Low	Close
AD						
ADD						
ADG						
ADH						
ADI						
ADJ						
ADK						
ADL						
ADM						
ADN						
ADO						
ADP						
ADQ						
ADR						
ADS						
ADT						
ADU						
ADV						
ADW						
ADX						
ADY						
ADZ						

Wear Hur
See

Notes:
 1 - dividend rate of dividend as a percentage of the current stock price.
 2 - dividend rate of dividend as a percentage of the year's high for the stock.
 3 - dividend rate of dividend as a percentage of the year's low for the stock.
 4 - dividend rate of dividend as a percentage of the year's average for the stock.
 5 - dividend rate of dividend as a percentage of the year's volume for the stock.
 6 - dividend rate of dividend as a percentage of the year's turnover for the stock.
 7 - dividend rate of dividend as a percentage of the year's market cap for the stock.
 8 - dividend rate of dividend as a percentage of the year's P/E ratio for the stock.
 9 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 10 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 11 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 12 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 13 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 14 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 15 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 16 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 17 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 18 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 19 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 20 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 21 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 22 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 23 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 24 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.
 25 - dividend rate of dividend as a percentage of the year's price-earnings ratio for the stock.

Weak Economies and Strong Yen Hurt Profits at Japan Carmakers

Compiled by Our Staff From Dispatches TOKYO — Sagging economies and a strong yen played havoc with Japan's car industry in the latest year, denting profits at several manufacturers, earnings released Friday show.

Nissan said it expected parent current profit to plunge again this year, to 40 billion yen. "It's hard to judge," Mr. Muramatsu said.

At Fuji Heavy Industries, the parent current loss totaled 4.09 billion yen, down sharply from 63.62 billion yen.

Steelmakers Suffer as Orders Drop

TOKYO — A drop in demand for cars and appliances makers devastated profits at Japan's major steelmakers in the year ended March 31, and a slump is expected to continue this year.

"If the economy does not recover dramatically in the second half of 1992-93, the 100 million ton level may not be possible," Mr. Kazumasa said.

The stock market showed little reaction to the figures, but analysts said stocks could drift slightly lower on Moody ahead of the gross domestic product figures.

Australians See Scant GDP Gain

Compiled by Our Staff From Dispatches SYDNEY — Australia's recession-flattened economy may turn out to have managed only meager expansion in the three months ended in March, despite earlier forecasts for solid growth, economists said Friday.

New Thai Worries Hit Stocks, GDP Forecasts

Compiled by Our Staff From Dispatches BANGKOK — Fears of renewed political unrest in Thailand sent local stocks plunging 2.2 percent on Friday, while economists pared their growth forecasts because of tumbling tourist revenues and domestic investment.

Nontapanawat, chief economist of Bangkok Bank. Share prices fell for the fourth straight day in Bangkok amid rumors of a military coup and nervousness about the possibility of renewed confrontation between the military and demonstrators, analysts said.



Very briefly:

- Malaysian Airline System's group net profit fell 48.8 percent, to 112.9 million ringgit (\$45.2 million), in the year ended March 31, as the world economic slowdown cut into its load factors, and the airline announced a one-for-one rights issue to raise 1.75 billion ringgit.

Seoul Woos Japanese Broker

Compiled by Our Staff From Dispatches SEOUL — The Finance Ministry has decided for the first time to allow a Japanese securities house to open a branch office here soon, ministry officials said Friday.

The ministry has yet to pick from among Daiwa Securities Co., Yamaichi Securities Co. and Nikko Securities Co., which have been operating liaison offices in Seoul.

Aircraft Repair Project for Cebu

MANILA — The government has approved a \$153.4 million aircraft repair and maintenance project, officials said Friday, a major boost to the Philippines' attempt to become a regional repair hub.

The Export Processing Zone Authority said Asia-Pacific Maintenance Inc., a consortium, would construct the facility at the Mactan International Airport in Cebu, 350 miles (560 kilometers) southeast of Manila.

ADVERTISMENT INTERNATIONAL FUNDS May 29, 1992. A large table listing various international funds with columns for fund names, currencies, and prices. Includes sections for 'Other Funds' and 'ADVERTISMENT'.

THE MONEY REPORT

FIRST COLUMN Seeking Real Service In Finance

CAN we cut out the middleman? In a sense, that is all that providers of financial services are. So how about dropping the mutual fund manager and ordering your spread of shares direct from the broker? Again, how about dropping the broker and participating in the market directly?

It becomes apparent that individual investors do in fact need middlemen — although a wise guy might argue that if someone has something you need that person is not a middleman but a vital resource.

Nevertheless, for consumers of financial services a very important question must always be whether the company charging for its services is worth the money.

Usually it will be sensible to let a skilled manager select, say, gold shares or stocks in an Italian country fund. But sometimes you really ought to be able to do it better yourself.

For example, the guaranteed part of the currently fashionable guaranteed funds really ought not to be difficult to do. Let's say you have \$100, and you want the money back in 10 years. You simply find a government bond that guarantees the return of the money by then. The price of the bond will depend on the prevailing level of interest rates, since call deposits are direct competitors. You could try to do it with call deposits, but since interest rates vary, you wouldn't be certain that the compound return over 10 years would return your money.

Let's say you find your bond, and you have to invest \$50 to get back \$100 in 10 years' time. That leaves you with \$50 to commit to wildly speculative investments. Anything that you make will be profit — although the real gain will be the amount by which your speculative investment outstrips inflation.

The speculative bit, of course, is hard to do, as one of the stories in this week's section illustrates.

The point is that we consumers pay managers to get it right. If more guaranteed futures funds fail to produce the goods, investors might just as well find themselves a bond and make some speculative plays. At least that way, you'll have the fun of losing your money rather than having to get mad when others lose it for you.

M.B.

Keeping a Long View Through Market Jolts

By Conrad de Aenlle

WHEN political turmoil sent stock prices in Thailand cascading this month, or when allegations of influence peddling and drug use against Brazil's president early this week did the same there, investors in these emerging markets may have thought that "submerging" described them better.

How do fund managers and other foreign investors handle crisis situations like these? One industry observer, pithily articulating the conventional wisdom, said: "Well, they don't, do they? That's why it's a crisis."

Logical enough, but others say that foreign selling is actually quite low during panics in small markets, especially by funds; most money managers choose to ride out the crises or even use them as buying opportunities. Shareholders usually come out no worse and may even profit from the cataclysms that regularly occur in these markets.

One reason some funds don't sell is their size.

"It depends on the various markets that you're in," said Jeremy Eakin, a trader in Asian securities for W.J. Carr in London. "A lot of these funds are almost too big, and they're quite cumbersome when it comes to investing in the market."

That was the case in Thailand. Several closed-end funds that invest there and are listed in New York and London have assets of close to \$150 million each. Mr. Eakin pointed out. That's a lot for such a small, illiquid exchange. "If they panicked, it would move the market."

Maybe they didn't panic, but the market did move. Bangkok's SET index fell 19 percent from April 7, when General Suchinda Kraprayoon took power with the army's help, until last week when the king stepped in to quell the crisis. A drop that big and fast reflects panic, but it was home grown, not imported.

"You haven't had a rush of Thai funds selling the market," Mr. Eakin said, pointing out that volume was not particularly high during the rout. "It's mainly the locals in Thailand selling it."

There's no question that volume does decrease at times of political strife or turmoil," said Daniel Smaller, emerging markets manager for Lehman Brothers in London, "but they are certainly much more

voluminous than they were a few years ago." Increased volume is one sign of emergence in an emerging market. In Peru, for instance, the value of shares traded a few years ago was about \$300,000 a day. Mr. Smaller noted. That increased to \$4 million to \$6 million before President Alberto Fujimori suspended the constitution, congress and judiciary last month. Since then, daily volume has been \$1.5 million to \$2.5 million — less than it was, but a lot more than in the past.

Although the heavier volume makes it easier for funds to extricate themselves from fledgling markets more gracefully than when volume was lower, trading remains illiquid. That makes the markets more volatile and has the potential to exacerbate declines during troubled times, said Eduardo Faria, a fund manager at Latin American Securities in London, which has \$650 million invested in the region.

"That's why these funds have to be in fairly liquid stuff," he commented, "but obviously, going into cash can be quite difficult if there were a sudden run. So far we've never had any problems. We have never been tested to the extent of having a major event where the market falls totally out of bed. We've had tremendous volatility, but that's part and parcel of investing in emerging markets."

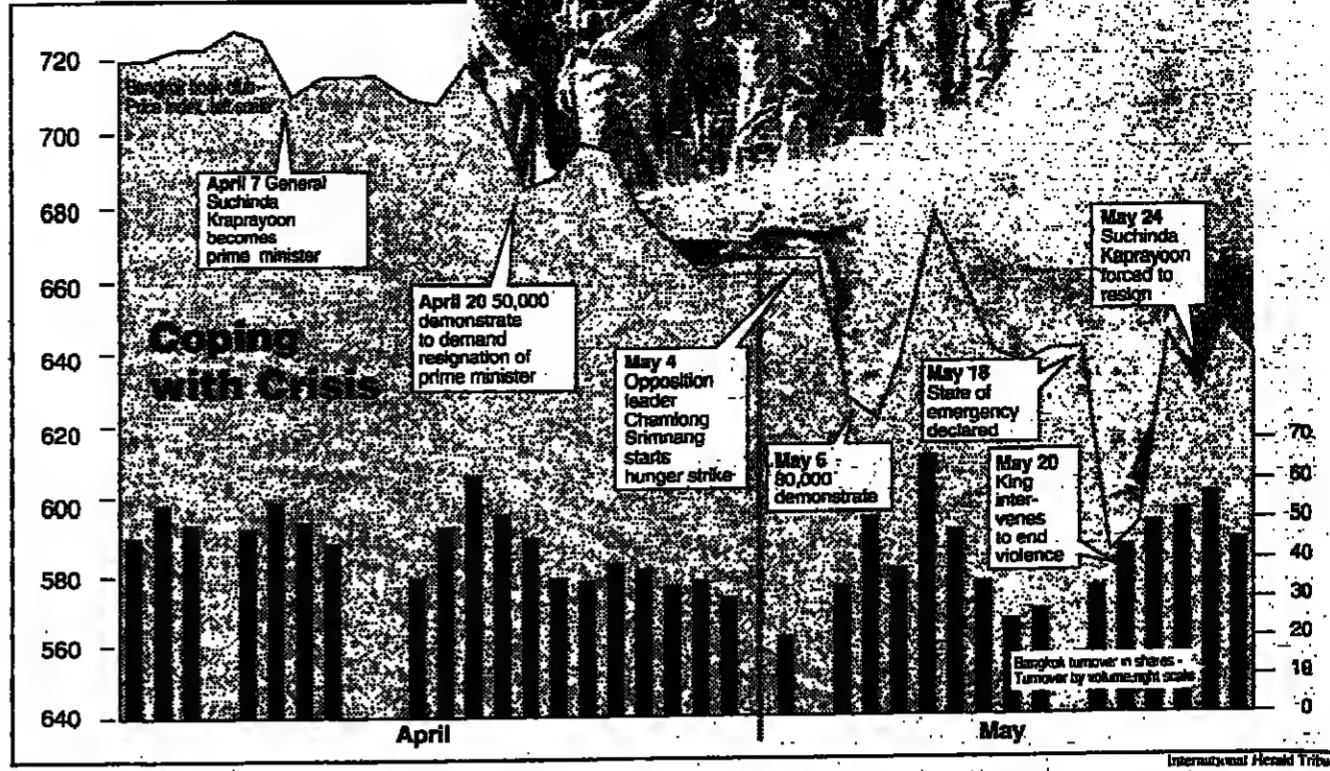
Mr. Faria added that reaching local agents during a panic is no problem. It's possible that they might "stop answering the phone, but that can happen anywhere." Even if it did, there are always fax and telex machines.

On the contrary, he said, "if they felt there was anything untoward, they would call us. They would be the first to call us and say, 'Something is happening here.' That's why we have local advisers."

STAYING in emerging markets during panics is usually a matter of choice and not necessity. Fund managers would remain invested, even if their funds' sheer bulk did not prohibit them from joining an exodus.

"For most long-term emerging market fund managers, they buy on a fundamental analysis that often is not determined by day-to-day political or economic events," Mr. Smaller said. "Very often the foreigners are not selling because they're the more mature, longer-term investors."

Although fund managers may consider politically inspired selloffs as a mere "blip in



Source: Datastream

the market," as Mr. Eakin put it, what about the shareholders? That blip can wipe out someone's life's savings in minutes.

During the global crash in 1987, many fund companies and brokers were swamped with calls from investors who wanted to sell. In many cases, they couldn't get through, and the ones who could get through sold their stocks or forced fund companies to do the same at what proved to be a bottom.

It's different with emerging market funds. "It's very unusual that there's a run on a fund and it's forced to liquidate positions to meet redemptions," Mr. Eakin said. "If you buy a Thai fund, you intend to keep invested in Thailand." He also said country funds tend to keep large cash positions so they can avoid selling to meet redemption calls. Two closed-ended Philippine funds listed in London held 25 to 30 percent cash, he said.

If those who invest in emerging markets are less prone to bail out when the going gets sticky, it's not necessarily that they're made of sterner stuff; it may just be that they expect those markets to be volatile and are likely to keep only a small piece of their portfolios in them.

They also tend to be larger investors. Mr. Faria said most of his clients are institutions. Individuals who invest with him have high net worths — high enough not to panic during a crisis. In 1987, it was smaller shareholders that led the flight from funds.

In fact, Mr. Faria hesitates to use the term "crisis." He prefers "bad news." This is not a concession to the marketing department. Rather, it's a way of distinguishing between transitory and longer-lasting influences.

"Bad news is to be expected," he said. A crisis is "a major event that will cause what we were expecting to change."

Most emerging markets that have tumbled in the last few years have done so without being abetted by political turmoil. Indonesia, for instance, fell close to two-thirds in 1990 and '91, thanks to a culprit known all too well in developed markets — higher interest rates, with the poor corporate earnings and more attractive investment alternatives that go with them.

Comps and other political upheavals usually have only a fleeting impact on a country's economy, analysts and fund managers argue. When they depress markets, it repre-

sents a chance to buy at what often proves to be cheap prices.

When Thailand's military staged a coup in February 1991, Bangkok stocks sold off 7 percent in a day. But from there, they rose 20 percent in a month.

Mr. Faria said he is taking advantage of the family feud in Brazil, in which President Fernando Collor de Mello was accused by his brother of taking kickbacks and using drugs. The episode knocked 8 percent off the Bovespa index on Monday morning.

"We don't view it as a crisis yet," Mr. Faria said. "We've been putting money into the market." We've got a little bit because people have been putting money in the fund that has yet to be invested.

Likewise, K. C. Lee, who manages a \$2 million Thai fund for Fidelity Investments in Hong Kong, said: "I actually bought some stocks the day the market fell very sharply in reaction to the military crackdown."

"Our experience is that politics in most of the Asian countries is separated from economic policy. There are very few cases where a change in government has resulted in a change in economic policy, especially in a negative direction."



Financial democracy in action in California: The fate of the pensioners' \$57 million is discussed in a public meeting.

Small Town, Bright Light on Pensions

By Martin Baker

SAN Joaquin County in northern California is not the kind of place you expect to find the cutting edge of financial decision making. As you drive through the hot, wind-scoured streets of Stockton, the county's main city, you have a choice. Take a left and you find a crossroads of rusting, disused railroad tracks. Take a right and you're on the main drag, where sparse traffic rumbles ponderously before the neutral stares of old men and straggling street corner dogs. Once a bustling inland port, Stockton has been hit hard by the U.S. recession. As a stranger in town it's easy to believe the place is struggling to escape from a Norman Rockwell painting.

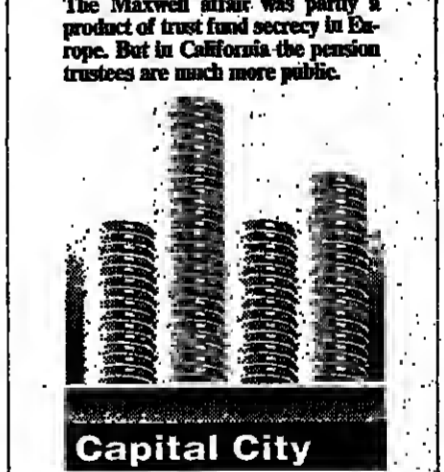
But step inside the local government building and you quickly lose that feeling. All is quiet bustle and high-tech business efficiency as the nine board members of the San Joaquin County Retirement Association conduct the latest stage of a process known as a financial beauty pageant. They are deciding which fund manager is going to get the job of handling more than \$57 million of their pension fund.

The board is responsible to more than 5,000 county employees. Its members don't only take their duties very seriously, but they are required by law to hold their decision-making meetings in public. In California there is no question of a repeat of the kind of secrecy and chicanery that Robert Maxwell was able to perpetrate in stealing from corporate pension funds.

For the past 18 months the board has been privately studying and publicly debating what its investment objectives should be, as well as the criteria for selecting the right fund manager to put its \$57 million in foreign equities (the rest of the \$57 million pension fund, incidentally, is invested in U.S. bonds and shares, in the ratio of 2 to 1).

After much argument and self-education, the board settled on a list of 10 fund managers, seven of which were suggested by SEI Capital Resources, an independent pension consultant. The other three were suggested by board members. The list is to be shortened to four managers, who will be asked to come to Stockton and make their presentations before the board. The presentations — scheduled for June 10 — will be the final stage in the financial beauty pageant. Then the trustees will begin the round of discussions that will lead to a final decision.

The selection process is an exercise in openness and financial democracy promoted by California's sunshine government legislation. The nine board members include the county's chief financial officer and four present or former employees elected by the beneficiaries of the pension fund. The other four members are citizens not connected with the authority (in this case, all four have experience in finance ranging from investment banking to savings and loan opera-



Capital City

tions). They are co-opted to the board by the elected members.

In sharp contrast to Europe, where the doings of even municipal pension funds are usually so discreet as to be pretty much secret, the board is strictly required to hold its meetings in public. "So much so that more than five of the members can't have dinner together in private," says John McLaughlin, the San Francisco-based senior consultant with SEI Capital Resources, who has been helping the San Joaquin County board in its search.

The board has already studied documentation on the 10 candidates prepared by a municipal employee, Robert R. Palmer, a retirement administrator, in conjunction with SEI Capital Resources. "He does the groundwork, we do the homework," says Ed O'Neill III, a retired county employee and chairman of the board.

A consequence of that homework is that discussion is brief. The board listens to a presentation from John McLaughlin and then a vote is taken. Each board member is allowed to nominate a first, second and third choice; one asked for a fourth choice to be registered too. Points are allocated: first choice is worth three; second, two; third, one.

The winners emerge. There are three American firms, and one Scottish operation: Brinson, Scauder, Stevens & Clark, T. Rowe Price and Glasgow-based Murray Johnston will be asked to come and make a presentation to the board. It is decided that the candidates will each have around an hour of the board's time.

"I think it's generally a good idea if we spend a half-hour on interviews," says George L. Barber, a co-opted member of the board. "You find out more that way." It is finally decided that the applicants will answer questions on their investment techniques for at least a quarter of an hour, maybe more. The format decided, the successful candidates will be invited to make their presentations, and then the board will be a step closer to making a decision.

"But we won't do it there and then. We'll listen to what they all have to say, and go home and deliberate," says Mr. O'Neill.

"It would have been simple to rush into things and make a few mistakes," says Mr. Barber in the board's open session. "But we didn't do that. We've taken our time, and all the board members have got involved as deeply as possible."

To judge from the criteria used in selecting candidates, the board members must have had little choice but to immerse themselves in their job. The criteria are fairly high-concept, even for the financially literate. Individuals without a financial background will inevitably find some of the more sophisticated ideas a little indigestible: The board was being asked to look for managers with a defensive currency management track record, low-volatility performance, "large-cap, top-down, country-allocation focus, value style," as the list of criteria stated.

The board began to take a more active interest in its pension fund when its (successor) manager retired a couple of years ago. "Before, there was virtually no participation," says the board's deputy chairman, Raymond W. McCray. "Then when the manager was leaving we asked him what it was he was doing, and he said it was none of our business."

It clearly is the board's business now. "This board has come a long, long way in the past 12 years," says its secretary, Jerry Courtney.

"We've been working with San Joaquin County on a long-term basis, helping it decide what it wants, and now aiding in the move to asset diversification," says John McLaughlin. "The allocation to put 10 percent of assets outside the U.S. is part of what we at SEI identify as an accelerating process among U.S. funds. Many of them are looking at diversifying into foreign currencies, bonds and equities."

"We identified a negative correlation between U.S. securities and foreign securities and the board decided it would be a good hedge. The search had to be spread wide. We don't have the U.S. firms which are sufficiently global to give us the reverse yield," says Bob Palmer.

Some critics say that trustees should look at the figures and not be influenced by the clever talk that comes at the end of such a beauty pageant. But the board will not be rushed into any decisions, stresses Mr. O'Neill. There is no question of going for a convincing sales pitch or making an impulsive decision at the suggestion of plausible people in well-cut suits.

"The board has a responsibility to the county's employees, its retirees and the county employer, which is ultimately the taxpayer," Mr. O'Neill says. "If we'd been in a hurry a few years ago, we'd have caught Japan on the way down. And that would have been a mess."

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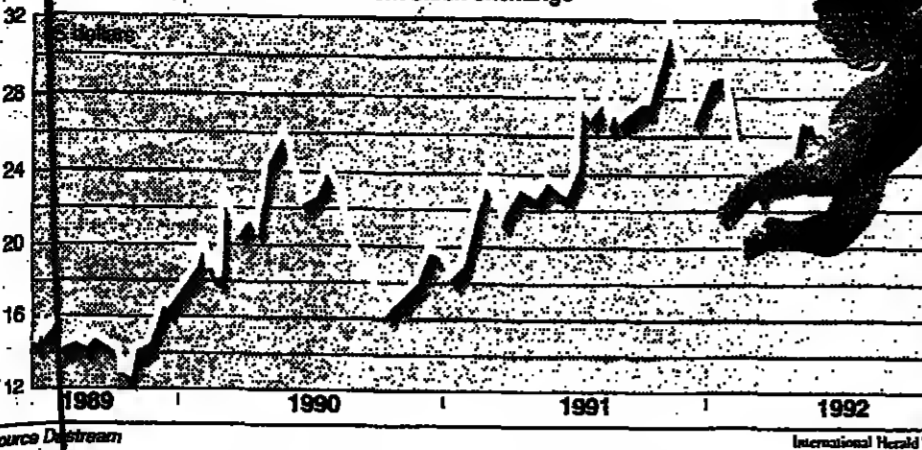
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THE MONEY REPORT

Diamonds: Taking Stock

De Beers' Share price on the New York stock exchange



DeBeers: How to Discount For Mining and South Africa?

By Dave Clemens

A COMPANY that controls 80 percent of the market for what it produces and sells ought to be a sure bet for investors, right? So much so that it would be likely to trade at a substantial premium to average market multiples, right? In the case of the De Beers group, wrong and wrong.

So why is De Beers trading at a price/earnings ratio of a little less than 9, based on forecast earnings of about \$3 a share for 1992, when the average P/E for the Standard & Poor's index of 500 companies is over 20 and that for the Financial Times-Stock Exchange 100 index in London is around 20? And why has that ratio seldom exceeded 10 over the past five years, which included some heady times for the diamond market?

There are at least two good reasons, and the company's chairman, Julian Ogilvie-Thompson, acknowledged them at a recent presentation to journalists and financial professionals in Paris, last stop of a four-city European road show aimed at building interest in the stock.



Lodewyk van Berckelaer, the inventor of diamond polishing

BRIEFCASE

New Bond Fund Targets Britain for a Rate Decline

Morgan Grenfell Investment Funds, the U.K. mutual fund arm of Deutsche Bank, is launching a Dublin-based bond fund that will commit to government debt worldwide, choosing top-quality credit risks (the riskiest instruments bought will be AA graded).

A Bahrain Briefing Book For the Offshore Investor

One of the main benefits sought by many users of offshore banking and financial services is close physical proximity to the provider of the service. Sometimes it's just very important to be able to see that bank manager, and it's much better if you don't have to catch a plane to do it.

fund industry, which has just published its 1992 Mutual Fund Fact book. The book runs to 140 pages, includes a glossary of technical terms and listings of where to get more information.

It is well set out and in general clearly written, although some of the explanations of the finer points of tax treatment might be slightly confusing for readers who aren't already familiar with the subject. It costs \$15.

For more information, write the Investment Company Institute, 1600 M Street NW, Suite 600, Washington, DC 20036; or call Washington (1 202) 293 7700.

LIFFE Looks to Italian Lira To Enliven Futures Trade

You win some, you lose some. The London International Financial Futures and Options Exchange, which recently canceled its spurring Eurotrack 100 derivatives, has just begun futures trading on three-month Euroira deposits, debt instruments denominated in the Italian currency.

Each Euroira contract has a face value of 1 billion lire, or about \$20,000. Traders, however, need only put up an initial margin of 600,000 lire to take an unhedged position or 300,000 lire for a spread. Contracts will settle four times a year, and settlement will be in cash.

During the first two weeks of Euroira futures trading, which began May 12, volume averaged 1,670 contracts a day, a LIFFE spokeswoman said. Should demand warrant it, she added, the exchange may list options on the futures.

Analysts Split on Prospects For a Continued Rise in Oil

Was the dollar-a-barrel jump in oil prices last Tuesday, after OPEC announced an accord on production levels, the beginning of a sustained rally?

Jeremy Hudson, an oil analyst in Lehman Brothers' London office, isn't counting on it, at least for a few months. "I don't think crude will make a significant move from here," he commented. "I don't think it will make a move until September. Then the market will shift its focus to a very tight supply-demand background."

The answers to these questions, and more, are supplied by the Investment Company Institute, the trade body of the U.S. mutual

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Too Much Promise in Guaranteed Funds?

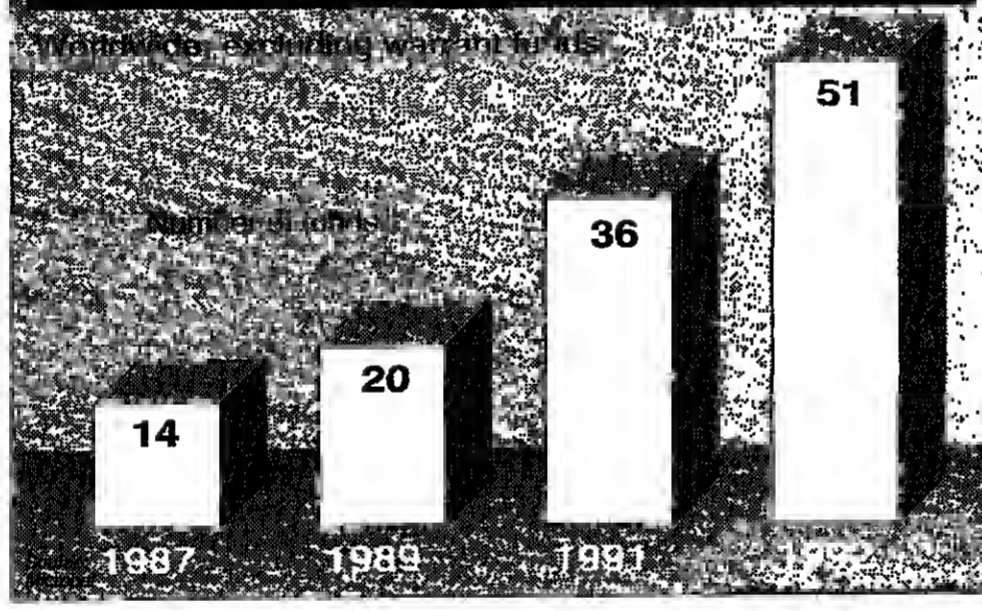
By Beverly Chandler

GUARANTEED funds have risen to favor among international investors by promising something close to the best of two very different worlds. They have been sold by offering investors the dual combination of profit without risk. On the one hand is the guarantee: Wait a little while—usually at least five years—and you get your money back. On the other, there is a possibility of fairly substantial capital gain.

The idea is simple enough, and has turned guaranteed funds into a \$25 billion business. The majority of investors' money, often around 70 percent, is invested in money market instruments that will provide a return sufficient to match the original investment in a number of years. This is the guaranteed part. The potential profit comes from the remainder of investors' original outlay, which is often invested in futures and options.

The idea behind the funds is a good one. But it is not foolproof. At a recent managed futures fund conference in Paris, there was much debate on the value of guaranteed funds. This was largely sparked off by the news that the \$8 billion Dean Witter Principal Guaranteed III fund was forced to give up investing in futures and become a money market fund until its redemption date.

Growth of Derivative Funds



that was supposed to be the source of capital gains for the fund went into a slump. Under its letter of credit with Barclays, the fund was required to stop futures trading to ensure enough capital remained to fulfill the guarantee if losses reached 15 percent of fund assets. That point was reached last month. Investors have the option of coming out now and getting the current net asset value—which represents a 15 percent loss—or remaining in the fund until maturity, when they will get their original investment back plus, hopefully, a little extra.

Mr. Barrow claimed that, despite his obvious preference for funds not having to cease trading, this case was a reassuring example of the guarantee mechanism working. Not all guaranteed funds are doomed. A separate fund launched by ED&F at the same time as the Dean Witter fund, the Mint Guaranteed Australian, has a more conventional guarantee structure and is currently up 20 percent.

Eric Bettelheim, resident partner in London for lawyers Roger & Wells says: "In the context of guaranteed funds, it is important to check what the nature of the guarantee is. At the end of the day the investors must be certain that if everything else falls away, what they are left with will have value at the end of the guaranteed period."

London Portfolio Services, based in Gibraltar, saw two funds that it sold—London Portfolio Guaranteed I and II—stop futures trading between 18 months and two years ago with \$12 million under management. Tim Iretton, chairman of London Portfolio, blamed the losses on difficult futures markets. Each fund used three different advisers chosen because they historically had not run losses at the same time, but "all three advisers went through the stop-loss points they were allocated at the outset."

"There is a fairly poor period for trading and the advisers did fairly poorly in a poor period" says Mr. Iretton. "There is a price for everything and the price of a guarantee is

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SPORTS NBA PLAYOFFS

Blazers Roar Back to Reach NBA Finals

By Michael Martinez
New York Times Service
SALT LAKE CITY — Behind by as many as 13 points in the first half, the Portland Trail Blazers bung in there, then chipped their way back to stop the Utah Jazz, 105-97, and advance to the National Basketball Association final for the second time in three seasons.

The Blazers, who won the four-of-seven-game series in six games, pulled even by the third period and went ahead in the fourth, repelling every Utah comeback attempt.

They handed Utah its first home loss in the postseason after eight consecutive victories. Utah had the best home record in the league during the regular season, going 37-4 in the Delta Center.

Clyde Drexler led the balanced Portland attack with 18 points. Karl Malone had 23 and Tyrone Corbin 22 for Utah.

The city was awash in clichés as Thursday night unfolded. Fans, headlines and television broadcasters screamed the same old things: The Jazz had their backs to the

wall, there was no tomorrow, it was do or die.

Even the players picked up on the theme.

"This is all about survival," said Mark Eaton, the Jazz center, earlier in the day. "It's win or go on vacation."

And then the game began.

First, Utah's point guard, John Stockton, removed any doubts about the condition of his left eye, which was still a bit red after having been poked by Drexler in Tuesday night's game.

Consider Stockton's role in the opening minutes:

- Jeff Malone sank a 17-foot (5.2-meter) jumper after Karl Malone blocked a shot by the Blazers' Kevin Duckworth. Score: 2-0 Jazz.
- Stockton followed with a drive through the lane, was fouled by Duckworth and sank the free throw. Score: 5-0.
- Stockton scored again from inside on a running jumper. Score: 7-0.
- After a missed shot by the Blazers' Terry Porter, Stockton

ended a fast break with a pass to Blue Edwards, who dunked. Score: 9-0.

Then, quickly, a timeout by Portland.

Utah stretched its lead to 21-8 midway through the first quarter, getting 6 straight points from Edwards to end the run, but the rest of the half was a series of surges. The Jazz pulled away, the Blazers pulled close.

Utah's 13-point lead, in fact, was trimmed substantially by Portland, which outscored the Jazz, 22-12, over the last six minutes of the second quarter. The Blazers even got within a point on two occasions, 33-32 and 35-34 in the second period, but Utah—charged by Stockton and Edwards—managed to stay in front.

Edwards made a three-point basket, then pulled down a rebound after a miss by Porter that was converted into a baseline jump shot by Jeff Malone, and the Jazz went up by 44-36. But the Blazers got themselves back in the game again.

They were within 54-51 on a Duckworth jumper from the left wing before Stockton scored from inside and later added a free throw to make it 57-51.

Duckworth scored again, but Corbin, who came off the bench to score 8 points in the first half, took a pass from Stockton and sank a shot from the left corner with 5.8 seconds to go.

At the halftime buzzer, Porter drove uncontested for a layup, getting Portland to within 4. The Jazz may have led, 59-55, but they had failed to establish a real advantage.

Utah shot 52 percent in the first two periods, getting 14 points from Karl Malone, 13 from Edwards, 12 from Jeff Malone and 10 from Stockton, who added 10 assists. Edwards and Karl Malone were a combined 10-for-13 from the field.

Buck Williams had 15 points for Portland, and was 9-for-9 from the foul line. Jerome Kersey scored 18 points.

In the first half, Drexler was just 2-of-8 for 4 points and Porter was 3-of-9 for 6 points.

Utah saw its lead slip away in one sudden burst at the beginning of the third quarter. Kersey dropped in two free throws, and Drexler scored on a layup, and suddenly the game was tied, 59-59.

The game was tied on six occasions, and at the start of the fourth quarter, the score was 77-77.



Portland's Cliff Robinson charging over Utah's Jeff Malone for 2 of his 10 points. Seven Trail Blazers scored in double figures.

Penguins Up 2-0 Behind Lemieux

By Dave Sil
Washington Post Service
PITTSBURGH — The Mario Lemieux story is becoming familiar, but like any classic it is fun to see it in every opportunity.

Lemieux scored two more goals and the Pittsburgh Penguins won another game on Thursday night, pushing the player to greater glory and the team to within two victories of a second straight National Hockey League Stanley Cup.

Lemieux's production snapped a second-straight tie to give the Penguins (3-1) victory over the Chicago Blackhawks.

The Penguins tonight they stole Game 1 on Tuesday, winning in the final minute. But on Thursday night they were much more in control and took a 2-0 lead in Game 2 of the four-of-sevens game final series on Saturday in Chicago.

This time, the Blackhawks did not lose to Lemieux. This time, they never tied it. This time, the Blackhawks goalie, Ed Belfour, gave up a weak goal, but the two by Lemieux were clean. This time, the star Blackhawk center, Jeremy Roenick, was again invisible when he was on the ice, and Coach Mike Keenan benched him for much of the last two periods. This time the Penguin goalie, Tim Barraso, played well.

If Lemieux delivered the lethal blow to the Blackhawks, the plucky Belfour disabled them by scoring a shorthanded goal for a 1-1 tie midway through the first period. This was the goal Belfour should have stopped. Bryan Marchment got the late Chicago goal 10 minutes into the second period for a 1-1 tie, but then Lemieux struck with his third and fourth goals of the series.

Good Move: Nets Hire Bad Boys' Coach

By George Vecsey
New York Times Service
EAST RUTHERFORD, N.J. — Clothes do not make the man, even if the clothes are a simple two-button suit, a favorite of mine, with a Mani label, and cuffs, always cuffs.

"I always say there are two things you always look great in: a blue suit and a tie," Chuck Daly said Thursday after being named the new coach of the New Jersey Nets.

This is neither a fashionable blue-suit team nor a tuxedo team. This is a jeans-and-polo shirt team, playing in that quaint place called Meadowlands-by-the-Turnpike, where the players come and go, or sometimes refuse to come and go, depending on their whim.

Now they have hired Chuck Daly to coach this team, not because of the wardrobe but because of the two championship rings he won coaching the Detroit Pistons until he and management became terminally disaffected this spring.

"His team was called the Bad Boys," Willis Reed, the Nets' general manager, said admiringly. "You would never think it."

This is not a cosmetic move, either, not some publicity gimmick to counter what fashionable Pat Riley accomplished in his first season across 13th Avenue, that is to say, the Hudson River.

"I'm a little more diverse than Pat," Daly said, talking about clothing, not coaching style. "GQ said I had a '60s gangster style. I use a little more color than Pat."

The wardrobe is camouflage; shopping is fun for a boring day on the road. More to the point is that this man coached a team whose swagger and notoriety was used to sell tickets and souvenirs after it started beating up the

Celtics and the Lakers and everybody else. The league used our films, and we tried to give it up to it," Daly said with a smile. "It got to be a problem."

It was a problem when Rick Mahorn squeezed people's heads, and Bill Laimbeer suborned people, and the team walked off en masse, without shaking hands with the Bulls last spring. Daly said he did not agree with his lads, "but I understood how they felt."

Could these mutinous Nets ever be known as the Good Boys, obedient chaps who showed up at practice on time, obliging blokes who charged back into the game when requested?

This should be no problem for professional athletes, but last season, Derrick Coleman and Chris Morris and Drazen Petrovic flat out declined to return in crucial games.

Daly tried to play down the anarchic history of this franchise, which this season had different owners trying to hire different coaches at the same time. But obviously the frolics past and present came up in discussions between Reed and Daly.

"He told me it couldn't be as bad as things that happened in Detroit," Reed said, shaking his head. "I didn't want to know."

Daly was asked about the secrets of success in coaching rugged individuals like the Bad

Boys. He said it was "sell, sell, sell," whatever that means. He added that he had never had a player refuse to go back into the game, but he did have a few who did not want to come out.

He liked that.

"I've had surgery on my right knee," Daly said. "It comes from learning to bend a lot." He has got the lines down pat, making himself seem like some genial caretaker for talented players. But it's not that simple. Daly said he learned years ago to drop his anger overnight.

He recalled that he was angry with one Pistons player on a team flight, and how another player, Isiah Thomas, had worried that "the season is over." Daly scheduled a meeting for two days later, and by the time they talked, "we had a great conversation."

While telling the stories, Daly sent a few messages. The Nets were in turmoil last year because Bill Fitch would not turn the starting point guard job over to Kenny Anderson, the expensive rookie who had missed camp.

"I'll be honest," Daly said. "He came in late and that will cost you a year. The best thing that happened to Dennis Rodman and John Salley is that they came to rookie camp in June and found they were not that good. Then they went out that summer and did something about it. Kenny has a chance to be an outstanding player in this league."

Daly was backing up the hard line that cost Fitch the respect of the players. There is already a note of stability in New Jersey. As soon as they work out his contract, Brendan Ashe, from nearby Fort Lawn, New Jersey, will come over from Detroit to be the chief assistant, supervising the Nets while Daly is coaching the U.S. Olympic team in Barcelona.

On Thursday, Suh sent out the word that Morris "could be" a great defensive player, that Coleman "has a chance" to be a great pro. The history of the Bad Boys might get the Nets' attention, if nothing else does.

For Cavs, Season May Hinge On Daugherty's Hurt Finger

By The Associated Press
RICHFIELD, Ohio — The Cleveland Cavaliers' hopes for a first-ever trip to the National Basketball Association finals hinge on a center who will be playing essentially with one hand tied behind his back.

Brad Daugherty wore a splint on the middle finger of his right hand Thursday after sustaining a partial dislocation in Wednesday night's 112-89 loss to the Chicago Bulls. The loss left Cleveland on the brink of elimination at the hands of the defending NBA champions.

The Bulls lead the series 3-2 and can advance to the finals by beating the Cavaliers either Friday night in Richfield or Sunday in Chicago.

Daugherty hurt his hand when he hit it on the rim Wednesday. He remained in the game but was unable to grip the ball. He finished with five points—nearly 17 under his playoff average—on 1-of-10 shooting.

The Cleveland point guard Mark Price sustained a less serious injury Wednesday, a mildly sprained left ankle that still had him limping after Thursday's practice.

BOOKS

CLOCKERS
By Richard Price. 599 pages. \$22.95.
Houghton Mifflin Co., One Beacon Street, Boston, Massachusetts 02108.
Reviewed by David Nicholson

AFTER publishing "The Wanderers" and "Bloodbrothers," two tough, funny and uncompromisingly honest novels that richly deserved the praise they received, Richard Price established himself as something of a wunderkind and began to write screenplays. Though he published two more novels, "The Breaks" and "Ladies Man," there was something limp and perfunctory about them; they lacked the vitality and integrity of his earlier work. Worse, they seemed to confirm the conventional wisdom that writers who go to Hollywood lose their bearings and squander their talent.

But with "Clockers," Richard Price is back. And the good news is that his sojourn at the movies — his screenplays include "The Color of Money" and "Sea of Love" — seems not to have affected his sensibilities as a novelist. "Clockers" is, quite simply, one hell of a book.

Like Tom Wolfe's "Bonfire of the Vanities," this is a panoramic, Dickensian novel whose characters are drawn from the range of social classes inhabiting America's cities. "Clockers" stands, however, as a corrective, realistic book-end to "Bonfire's" satire, effortlessly

claiming territory Wolfe was afraid to explore. Wolfe's point of view, for example, was white and upper class, and he was unable or unwilling to draw black characters as other than anarchic, threatening presences, as caricatures or as objects of pity. By contrast there's a quality to Price's writing that recalls F. Scott Fitzgerald's comment about "the smoldering hatred of a peasant." Price knows that the rich are not like you and me, and therefore they appear rarely in his pages. Instead, he gives us characters engaged in a hard-scabble fight for survival. And his black characters — chief among them a teenage drug dealer and his middle-aged mentor — are richly complex human beings, acting out of motives that are reprehensible, but always understandable.

Part detective story, part social portrait, "Clockers" — slang for street-corner drug dealers — is set in Deerpsey, a decaying New Jersey town near Manhattan. What drives the plot is a murder, the shooting of a small-time drug dealer. A young black man, Victor Dunham, the hard-working manager of a fast-food restaurant, confesses, but something about the confession sounds wrong to Rocco Klein, a middle-aged cop on the verge of retirement. Rocco begins to investigate, and is soon convinced that Victor is covering up for his brother, Strike, a drug dealer whose turf is the project in which they both grew up.

Is he? Or isn't he? These questions lie at the heart of the novel, and to say much

more would be to run the risk of spoiling the ending. Don't let that mislead you, however. "Clockers" is no mere whodunit. It's too rich and too detailed. What really keeps you turning its 599 pages are the characterizations, the quickness and the odd juxtapositions.

Just when we think Rocco is the kind of cop we've seen before, the burned-out case simply marking time until retirement, Price throws us a curve. Rocco is married to a woman almost half his age, a woman with "a trust fund that reduced his full salary to mad money." When they have dinner with her friends, Rocco knows her friends are laughing at him. Still, he can't resist telling the war stories that both fascinate and repel them, just as he can't resist showing off for Sean Touhey, a movie actor riding with Rocco and his partner to gather material for a movie he wants to make.

In this rich chronicle of the streets, then, things aren't always what they seem.

Price shows that he's got the best equipment a novelist can have — that combination of muscularity, insight and compassion we might call heart. There aren't any tired liberal platitudes here, and no gangster romance, just men and women doing the best they can, making choices for reasons that are sometimes right and sometimes wrong, and in the end, having to live with the worlds they have made for themselves.

David Nicholson is on the staff of *The Washington Post*.

BRIDGE

By Alan Truscott

ON the diagrammed deal North and South bid an optimistic slam contract. The opening one-club bid was strong and artificial, and the subsequent bids were natural. The response to Blackwood showed two key cards, the club ace and the king of the intended trump suit, diamonds.

East's double of five hearts guided his partner to an opening lead in that suit, and the ace won the first trick. A heart return was obviously safe, but East saw that passive defense was dangerous. To provide for the possibility that South held a singleton club, either king or small, he boldly led that suit, trapping his partner's king but defeating the slam. This removed South's line of communication to the dummy, and he could not use the clubs after drawing trumps. If East had returned any other suit the slam would have been made easily, for South would have drawn trumps and taken the club finesse. North-South were left to discover that they should have played the 7-1 fit, not the 6-1. Six clubs would have been unbeatable, albeit somewhat lanky.

NORTH
♠ 5 7 5
♥ 9 4
♦ K
♣ A Q J 10 7 5 3

EAST
♠ Q J 2
♥ A Q 10 7 3
♦ J 10
♣ 9 8 2

SOUTH (D)
♠ A K 9 4
♥ K 5
♦ A Q 9 8 7 4
♣ 8

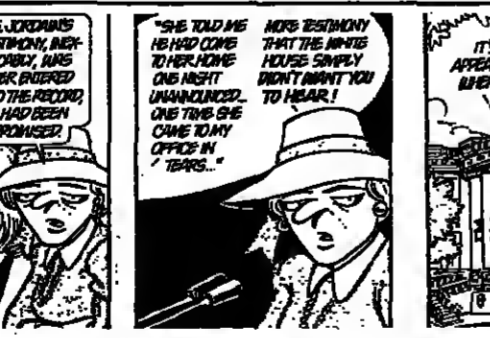
Both sides were vulnerable. The bidding:
South: 1♣, 2♦, 3♦, 4 N.T., 6♦
West: Pass, Pass, Pass, Pass
North: Pass, 3♣, 4♦, 5♥, Pass
East: Pass, Pass, Pass, Pass

West led the heart six.

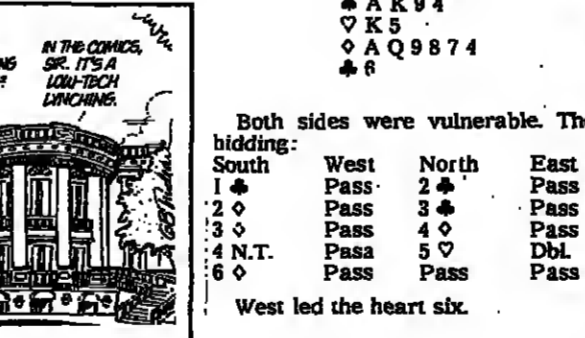
DOONESBURY



BLONDIE



WIZARD OF ID



DENNIS THE MENACE



JUMBLE

JUMBLE THAT SCRAMBLED WORD GAME
Unscramble these four JUMBLE words to form four ordinary words.

ONIGG
BERPO
LALPAP
MASALB

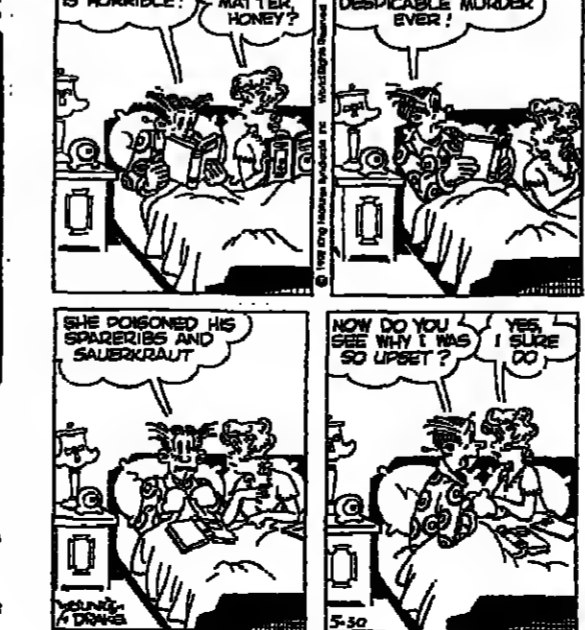
Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: "O O O O O O O O O O"

Answers Monday

Yesterday's Jumble: GAILY PARTY FORAGE BROOCH
Answer: When that party's over, the party's over.

REX MORGAN



PEANUTS



BEETLE BAILEY



CALVIN AND HOBBES



WIZARD OF ID



REX MORGAN



GARFIELD



مدى من لند

SPORTS

FRENCH OPEN

Edberg In, Lendl Out After 2-Day, 5-Set Battles



Stefan Edberg sought refuge during his struggle with Gabriel Markus of Argentina on Friday.

By Nick Stout
International Herald Tribune
PARIS — The Ivan Lendl chapter at Roland Garros Stadium probably closed for good on Friday... Lendl — three times a champion and twice a runner-up in the French Open — might have been able to convince some people that he was worth betting on yet again...

In Paris, Playing The Waiting Game

Rain and Darkness Create Delays

By Ian Thomson
International Herald Tribune
PARIS — Jaime Oncins and Ivan Lendl met at Court 2 for their lunch break Friday. It is not a regular date for them. But the sun was breaking through, and it was sitting at an office desk with a sandwich, a chocolate milk, a bag of Chocetos...

They knocked a few warm-up balls to each other, adjusting their eyes to the midday glare, and then they started. Winner would be first man with a two-game lead. Their agreed-upon prize was 42,000 francs (\$7,700), winner-take-all. At those stakes many hundreds of people were gathered around the court. They were standing behind the grandstands and leaning in the corners. On top of the moxy, Jaime and Ivan were playing a half-hour of tennis to decide which of them would advance to the third round of the French Open...

They had split four sets and another 10 games of the fifth Thursday evening when the matches were suspended for darkness and rain. Shortly thereafter the clouds lifted and play resumed on several courts. By then, however, Lendl and Oncins already had left the stadium, and so they had no choice but to pick up Friday at 5-5 in the fifth, with Oncins serving. Oncins, who had recovered the previous day from a 2-0 deficit in sets, felt as though the governor had stayed his execution and was considering a full pardon. He had never beaten someone like Lendl before...

"This night, I start to think about it — I can win," said Oncins, a 21-year-old Brazilian ranked No. 72 in the world. "I make up two sets and now it is 5-5, and I start to think about what I am going to do tomorrow. Sometimes I get a little bit confused. Then, this morning, I talked to my coach and he said to me, 'You have to be like a professional, and he said let's go and play like you play yesterday. And I do.'"

Oncins denied Lendl on four break attempts, knocking him backward with forehands. Their cumulative effect allowed Oncins to hold serve on the seventh deuce with a drop shot. After that, even Lendl could scare him. Three games later Oncins broke Lendl for the match at 15-40, with another drop shot.

"Sometimes it is better you play on the same day," said Oncins, the winner at 3-6, 3-6, 6-3, 6-2, 8-6. "Because if you stop like we stop it yesterday, you have a lot of time to think about it and sometimes this can disturb you a little bit. So sometimes it is good you play in the same day..."

The overnight delay probably works on Lendl, he said. He stopped well, but how could he? He had an entire evening to consider what he possibly could have been thinking about when he left that suitcase full of money on the busy corner of Avenue de la Porte d'Autain and Avenue Gordon Bennett. A two-set lead against Jaime On-

Rangers Are Hurdled Into First Place

The Associated Press
It has been pitching and not hitting that has helped the Texas Rangers keep alive a winning streak that vaulted them into first place in the American League West.

The Rangers got another quality start from Bobby Witt, who threw...

ning their sixth straight and 10th in their last 11 games. Royals 5, Tigers 1; Mark Gubicza, Rusty Meacham and Jeff Montgomery combined on a three-hitter in Detroit as Kansas City snapped a five-game losing streak. Gubicza gave up two hits in 6 2/3 innings, struck out eight and walked four.

Meacham, a former Tiger, stranded runners on second and third when pinch-hitter Shawn Hare bounced into an inning-ending grounder. Montgomery pitched the ninth.

Detroit's only runner past first base in the first six innings was Travis Fryman who hit a two-out single in the first and moved to second on a wild pitch. Red Sox 2, Angels 1: Mike Greenwell singled in the go-ahead run in the fifth, then left with a groin injury in the bottom of the inning as Boston completed a three-game sweep in Anaheim, California, for the first time in eight seasons.

Joe Hesketh gave up six hits and seven innings, struck out five and walked one as Boston won for the ninth time in 12 games. Jeff Reardon pitched the ninth for his 12th save, leaving him two shy of Rolfe Fingers' career record of 241. Cubs 5, Giants 0: Mike Morgan allowed four hits while walking a season-high seven in eight innings as Chicago shutout visiting San Francisco in Thursday's only National League game.

Morgan was in trouble early, but twice escaped jams by retiring Matt Williams. Williams, who has just three hits in his last 33 at-bats, struck out with runners on first and second in the first and flied out with the bases loaded in the third.

SIDELINES

IAAF Warning on Racing Reynolds

TORONTO (AFP) — The International Amateur Athletic Federation warned on Friday that any athlete who competed against Butch Reynolds on the world 400-meter record holder, on Saturday could be banned from international competition.

Reynolds, who is serving a two-year ban after being found guilty of taking banned steroids, on Thursday won a U.S. court order clearing him to race at a meet Saturday in San Jose, California.

Last month, an IAAF arbitration panel upheld the ban against Reynolds, although the U.S. governing body, The Athletics Congress, has backed Reynolds in his effort to prove his innocence.

France Won't Award '92 Soccer Cup

PARIS (Reuters) — The French soccer cup will not be awarded in 1992 because of the Corsican disaster, the French soccer federation ruled on Friday.

At least 15 people were killed when a temporary stand collapsed minutes before the kick-off of the cup semifinal between Bastia and Marseille on May 5, Monaco, who had already qualified for the final, will represent France in the European Cup Winners' Cup next season.

Orioles' Giveaway for 'Average Joe'

BALTIMORE (AP) — The Baltimore Orioles are putting 300 of the best seats at their new Camden Yards stadium up for grabs through the state lottery.

Tickets to the Maryland Stadium Authority's 12-seat suite and to an Orioles party suite that accommodates about 80 will be distributed randomly to Maryland residents who play the Maryland State Lottery instant sports game, officials said. Proceeds from the sales help to pay off the debt service on the \$105.4 million, state-financed stadium. The tickets will be for eight games in June, July, August and September.

"We're targeting the 'Average Joe,'" said the executive director of the stadium authority, Bruce Hoffman. "This is for the working-class people to have a chance to get into the ballpark and enjoy it."

For the Record

Pat Burns quit Friday as coach of the National Hockey League's Montreal Canadiens and will coach the Toronto Maple Leafs. (AP) Arzell, the failed Kentucky Derby favorite, is entered in the mid-long St. James's Palace Stakes at Royal Ascot on June 16. (HT) Sergei Bubka, holder of the world pole vault record, has been ordered by his doctors to rest for a week because of an Achilles' tendon injury, his club said in Berlin on Friday. (Reuters)

Quotable

Bull White, National League president: "It may sound egotistical, but I have done an excellent job as president of the National League. And the next guy who comes in after me — there is no reason for them to say a black man can't sit in this seat."

SCOREBOARD

Table with baseball scores for American League and National League games.

NBA Playoffs

Table with NBA playoff scores for Western Conference Finals.

French Open

Table with tennis scores from the French Open.

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SPORTS

FRENCH

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BASEBALL ROUNDUP

three-hit ball for eight innings to outlast Jack McDowell in the Rangers' 4-2 victory over the Chicago White Sox on Thursday night in Arlington, Texas. Texas moved atop the division for the first time since April 12. Rangers starters are 6-0 with a 2.14 earned run average in their last 13 games and have worked six or more innings in eight straight and 17 of their last 18. Witt struck out seven and walked two.

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Yugoslavia Gets UEFA Go-Ahead

NEWPORT, Wales — UEFA, European soccer's governing body, on Friday cleared Yugoslavia to play in next month's European championship in Sweden but said a possible United Nations sports boycott of Serbia might cost the team its place.

McEnroe's Gift for Lupp

The French umpire Bruno Rebutth got what he wanted after celebrating his 1,000th match in the chair: a handshake from John McEnroe after what is likely to be his last French Open singles match.

SCOREBOARD

Table with columns for Baseball, American League, National League, and Japanese Baseball, showing scores for various teams.

French Open

Table showing tennis match results for the French Open, including winners, losers, and scores.

NBA Playoffs

Table showing NBA playoff results for the Western Conference Finals, including teams and scores.

Women's singles, third round. Sheilagh Giff (2), Germany, def. Amanda Coetzer, South Africa, 6-2, 6-1. Manon Bollegraf, Netherlands, def. Manuela Maleeva-Fragniere (1), Switzerland, 7-5, 6-2.

FEELING OUT OFF? AT&T USADirect Service can get you back to the office in seconds. AT&T logo.

Table with international dialing numbers for various countries including Argentina, Australia, Canada, France, Germany, etc.

DAVE BARRY

Dogs Say No to Videos

MIAMI—I'm always amazed when people ask, "What good are dogs, anyway?" Dogs are extremely useful. Dogs are so useful I'm surprised they're not widely sold in vending machines. ("You got any change? I need a dog.")

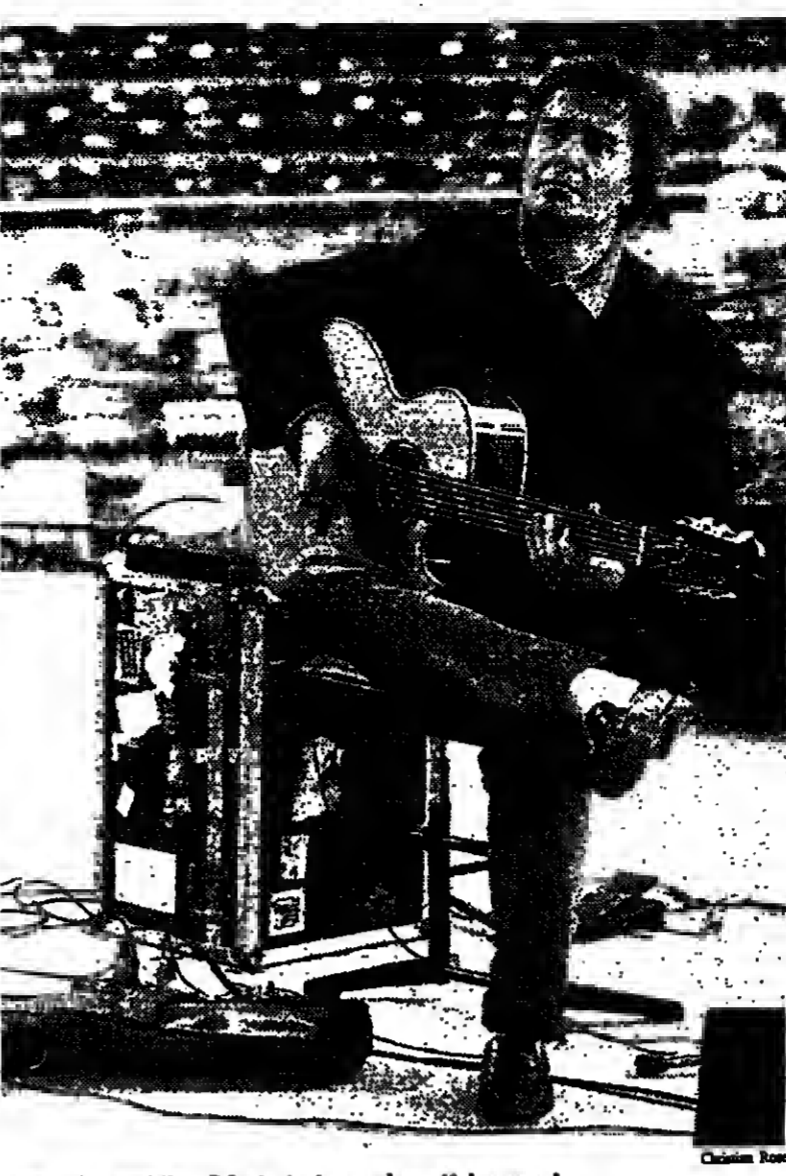
Earrest and Zippy, show no interest in television. They get their electronic stimulation directly from the Dog Satellite, which was secretly launched by NASA in 1972. It orbits the Earth and emits rays that humans cannot detect but that make dogs CRAZY, which is why they're always leaping up and barking angrily for no apparent reason.

Monaco's Resident Prince of Fusion

By Mike Zwerin International Herald Tribune

PARIS—No musician has managed to cross fusion lines with as much élan and authority and so few ulterior motives as John McLaughlin.

"It's only music, isn't it?" he said, over lunch in a Paris bistro last week. He was wearing a somber suit and tie and with his straight posture from a distance he could have been taken for the resident of Monaco.



John McLaughlin: 'Music is just a beautiful power.'

Born in Yorkhire, England, in 1942, he was playing the blues around London with the likes of Ginger Baker, Jack Bruce, Eric Clapton and Alexis Korner. In 1969, his album "Extrapolation" attracted the attention of Miles Davis's drummer, Tony Williams, who was ready to go out with his own band "Lifetime." He hired McLaughlin and took him to New York.

Blue Note Club in New York and on opening night who should walk into the dressing room but Bill Cosby. He said he'd flown in from Philadelphia on his private jet to bear us. "I got to tell you, John," he said, "I was listening to 'Jack Johnson' on the flight up and, man, what a record!"

PEOPLE

Southfork for Sale

The Southfork Ranch of "Dallas" is up for auction Saturday, and most potential buyers want to operate it as a business. But a few just want to live there like J.R. Ewing, that is, Duncan built the ranch, then called Duncan Farms, in 1970 in what were wheat and cotton fields.

PERSONALS

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MOVING

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REAL ESTATE FOR SALE

EMPLOYMENT

COLLEGES & UNIVERSITIES

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BUSINESS EXECUTIVES

BUSINESS TRAVEL

MOVING

MOVING

MOVING

MOVING

MOVING

BUSINESS OPPORTUNITIES

MOVING

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